

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,077

Thursday November 6 1986



Iran remains Gulf's biggest prize, Page 24

Australia	100.00	Philippines	100.00
Belgium	100.00	Portugal	100.00
Canada	100.00	S. Africa	100.00
Denmark	100.00	S. Korea	100.00
France	100.00	Spain	100.00
Germany	100.00	Sweden	100.00
Italy	100.00	Switzerland	100.00
Japan	100.00	Taiwan	100.00
Netherlands	100.00	Thailand	100.00
New Zealand	100.00	U.K.	100.00
Norway	100.00	U.S.A.	100.00

## World news Business summary

### French hit Basque terrorist group

French police delivered a major blow to the Basque terrorist organisation Eta, arresting suspects and confiscating weapons, funds and documents on the eve of a visit to Madrid by Prime Minister Jacques Chirac.

A furniture factory in the border town of Hendaye was the target for the police raid. Seven employees were detained, and the haul included grenade launchers and an extensive filing system dealing with Eta activities.

The raid underlined the increasingly close co-operation between the two countries against terrorism. Page 24

### Vuitton bids for Veuve Clicquot

LOUIS VUITTON, French maker of expensive luggage and leather goods, launched an offer for Veuve Clicquot, fourth largest champagne producer in France. Page 25

CO-OPERATIVE BANK, in the UK, is to pay interest to holders of its VISA credit cards who keep positive balances in their accounts. Page 10

WALL STREET: The Dow Jones industrial average closed up 6.6 at 1,899.04. Page 44

LONDON: Strong demand for oil shares and a steady Wall Street opening lifted the London stock market. The FT-SE 100 index closed 5.7 higher at 1,644.4 and the FT Ordinary index was 1.8 up at 1,206.1. Gilt closed little changed on the day. Page 44

### Soviet troops out

The withdrawal of six Soviet regiments from Afghanistan was completed on October 31 and no other troops have been or will be sent to replace them, the Defence Ministry in Moscow said.

### Sokolov omitted

The Soviet armed forces newspaper omitted the name of Defence Minister Sergei Sokolov, 75, from those who will attend tomorrow's Revolution Day parade in Moscow. There have been rumours that he is in poor health.

### Bokassa for trial

Former self-styled Emperor Jean-Bedel Bokassa, who returned home unexpectedly to the Central African Republic from French exile, is to go on trial on November 26. In 1980, he was sentenced to death in his absence for crimes ranging from murder to embezzlement.

### W. German ruling

The West German Constitutional Court dealt a potentially serious blow to the secrecy surrounding trade union funds.

It ordered the union holding company, SPAG, to make records of its supervisory board meetings available to a parliamentary committee investigating alleged corruption in the former union-owned housing concern, Neue Heimat.

### Aid for Contras

The first large shipment of arms and ammunition to the Nicaraguan Contras from the \$100m in US aid approved by Congress has arrived in Honduras, sources in the Honduran military said.

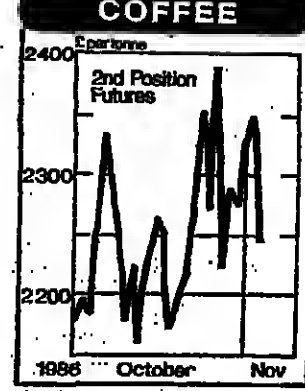
### Ruling against UK

The New South Wales Supreme Court ruled that the British Government must produce all documents relating to the late Sir Roger Hollis, former MI5 chief, who was alleged to have been a Soviet agent. Britain wants a ban on publication in Australia of a former MI5 agent's memoirs. Page 4

### Sudan food airlift

Ninety tonnes of food from the European Community has been airlifted to hungry people in southern Sudan, the first consignment in a total of 500 tonnes, according to an official spokesman in Khartoum.

### COFFEE



COFFEE on the London futures market lost most of its recent gains yesterday. The rise of £126.50 over the past four trading days ended £101.50 down at £2,247.50 a tonne. Page 36

GOLD fell \$2.25 to \$406.25 on the London bullion market. It also fell in Zurich to \$406.15 from \$408.05. In New York the December Comex settlement was \$408.50. Page 36

DOLLAR closed in New York at DM 2.0675; SF 1.7265; FF 6.7430; and ¥104.07. It rose in London to DM 2.0640 (DM 2.0575); it also rose to FF 6.7325 (FF 6.7150); to SF 1.7250 (SF 1.7150); and to ¥104.45 (¥103.90). On Bank of England figures the dollar's index rose to 112.7 from 112.5. Page 36

STERLING closed in New York at \$1.4270. It had a quiet day in London despite speculation over the Chancellor's Autumn Statement. Firmer crude oil prices lifted the pound to \$1.4235 (\$1.4130) to DM 2.0675 (DM 2.0124); to FF 6.5825 (FF 6.5025); to SF 1.4550 (SF 1.4275); and to ¥224.72 (\$224.72). The pound exchange rate index fell 0.5 to 80.1. Autumn budget, Page 24; Currencies, Page 37

COMMODOR, US personal computer manufacturer, continued its financial recovery with modest profits of \$3.7m or 12 cents a share in the first quarter ending on September 30.

FRENCH Government is to decide next month which international telecommunications company will win the battle for control of Compagnie Générale de Constructions Téléphoniques, state telecommunications manufacturer. Page 25

DOW CHEMICAL, US company which already has a sizeable Italian subsidiary, said it reached an agreement with Montedison, Milan plastics company, to co-operate on technology. Page 25

ALFA-ROMEO, Italy's troubled car-maker, moves towards a decision on its future today with IRI-Finmeccanica, state holding company, chooses between the rival takeover claims of the Fiat group and Ford of the US. Page 25

POWER FINANCIAL, financial services arm of Power Corporation of Montreal, has invested a further \$24m (\$60m) to bring its voting interest in Pargesa Holding of Geneva to 17.1 per cent from 10 per cent.

## Democrats hail end to Reagan-inspired conservative swing

BY STEWART FLEMING AND LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan suffered his worst political defeat since taking office in 1981 as the Democratic Party recaptured control of the US Senate on Tuesday in an important electoral victory.

The Democrats, riding a tide of Southern and farm belt votes, hailed the win as the end of - Mr Reagan's style of political conservatism.

With both legislative chambers under Democratic control, President Reagan faces stiff challenges to his domestic political agenda, particularly on trade.

Senator Robert Byrd, widely expected to become the new Senate majority leader, served notice on the White House that Democrats would seek to push a trade bill through Congress to protect the US against unfair foreign competition.

But a defiant President Reagan was quick to rally his dejected supporters and reaffirm his determination "to complete the (conservative) revolution we have begun."

Repeating his old 1984 campaign slogan, President Reagan declared "Washington ain't seen nothing yet." He stressed that he would con-

US SENATE	
	Old New
Democrats	47 53*
Republicans	53 45

\*Alabama and North Dakota unseated with accounts underway

through Congress legislation to protect the US from unfair foreign competition.

Mr Byrd said the trade bill would "force the President and the Administration to act... to make this country more competitive in foreign markets."

Senator Dole took a gloomy view of the Democrat victory in the Senate. There was no doubt, "it's going to make it much more difficult for the President," he said. Vice President George Bush, whose hopes of succeeding Mr Reagan as president in 1988 suffered a setback, agreed that it would be more difficult for the White House to take the offensive.

However, Republicans were relieved that in the 435 races for the House of Representatives they appear to have lost only 6 seats, far fewer than is traditionally the case for a party which is in its sixth year in office.

Continued on Page 24

## France to boost spending on defence equipment

BY DAVID HOUSEGO IN PARIS

EQUIPMENT purchases by the French armed forces will rise an average 8 per cent a year in real terms under a new five year defence budget approved by the Cabinet yesterday.

The budget, drawn up by the conservative administration of Mr Jacques Chirac, the Prime Minister, reflects a significant increase over recent years in the proportion of national resources to be devoted to defence. By the end of the period defence spending will absorb almost 4 per cent of GNP compared with 4.1 per cent in recent years of 3.77 per cent in 1988.

The plan provides for FFf 474bn (\$70.7bn) to be spent on equipment purchases by the armed forces over 1987-1991. Mr Andre Giraud, Defence Minister, said yesterday that part of this would come from sales by the Government of property assets as well as some of its shares in

armaments industries, "possibly" including Dassault, the aircraft manufacturer. He also hopes to obtain considerable savings from a tighter control of running expenses.

The plan confirms that France will go ahead with the purchase of an airborne early warning system, a new land-based strategic missile and a nuclear-powered aircraft carrier, the "Richelieu". These projects were approved by the Socialists but funds were not provided for them.

Endorsement of the programme by the Cabinet - intended as the first step in a long-term rolling plan for defence spending - also brought to an end a simmering quarrel over defence policy between President François Mitterrand and Mr Chirac. Mr Mitterrand described the programme as "serious, reasonable and coherent."

The dispute was over the use of France's tactical nuclear weapons

in a European conflict and over the balance of future spending between the submarine-based strategic nuclear force and the development of the new land-based missile. The programme favoured by the President gives precedence to equipping the "strategic" force with multi-head M4 and M5 missiles, while retaining existing French doctrine that tactical nuclear weapons be used as a "final warning" to an enemy.

Mr Giraud said yesterday that the new plan was necessary because the existing programme running from 1984 to 1988 had become "unrealistic." According to statistics issued by the Defence Ministry yesterday, equipment spending fell in real terms in the four years 1982-85.

The planned 8 per cent rise in real terms in future years is based on an 8.2 per cent annual average increase in GNP.

## London SE expels four brokers

BY CLIVE WOLMAN IN LONDON

TWO FORMER partners and two employees of Kemp Mitchell, the British stockbroking firm, have been expelled from the London Stock Exchange after being found guilty of defrauding Thomson McKinnon, the New York securities broker, of at least \$284,000 by making nearly 150 bogus Eurobond deals.

The decision, which marks the end of an investigation started in July 1984 when Kemp Mitchell was accused in a notice posted by the Stock Exchange Council yesterday. The Exchange's disciplinary committee held its hearings in February which were then subject to an appeal.

The committee found that the two employees of Kemp Mitchell who have been expelled - Mr Stuart Spurling and Mr Kevin Rawlings-Brown - were working in a team of four Eurobond dealers for Thomson McKinnon in 1983 when the fraud was committed. Mr Alan Kemp and Mr Terry Mitchell, the two partners who have been expelled, opened a Kemp Mitchell overseas client account for the four dealers in response to an approach by Mr Spurling.

For more than a year the team generated profits for the Kemp

Mitchell account on every one of 148 transactions at the expense of Thomson McKinnon. The profits were made by selling Eurobonds to Thomson McKinnon at a price above the market price or buying Eurobonds from it at below the market price and pocketing the difference, on many if not all occasions, the committee found. Kemp Mitchell handed over all the profits in cash to the dealers for their personal benefit.

Mr Kemp and Mr Mitchell were accomplices to the fraud as they must have appreciated the purpose of operating the client account and paying out the profits, the committee found. The Kemp Mitchell finance partner, Mr Donald Gittins, was negligent, but not dishonest, to a very substantial degree for failing to discharge his responsibilities, the committee found. He has been suspended from trading for a year.

When Thomson McKinnon discovered the fraud in October 1985 the four Eurobond dealers made written confessions of their guilt and resigned from the firm. They agreed to repay \$284,000.

Kemp Mitchell paid out the \$284,000 itself and was reimbursed by the dealers 15 months later, after it had recruited them. Mr Spurl-

ing and Mr Rawlings-Brown applied for membership of the London Stock Exchange as Kemp Mitchell employees and signed false statements. They were supported by the recommendations of Mr Kemp and Mr Mitchell, who knew that the applications were misleading, the committee found.

In July 1984 Thomson McKinnon reported the fraud to the London stock exchange, possibly acting on the advice of the New York Stock Exchange to whom such offences have to be reported by member firms. Mr Bob Wilkinson, head of the Exchange surveillance department, launched an immediate investigation and three days later, after a long and heated meeting, the Council suspended Kemp Mitchell from trading. Two weeks later, the firm, which had four partners and about 40 staff, closed.

It is unlikely that any of those implicated will be prosecuted as the fraud was committed outside the UK. The exchange of information agreement signed in September between the US and UK regulatory authorities is expected to assist in the future detection of those applying for stock exchange membership after being dismissed from a US firm.

## US and Soviet Union attempt to revive talks

BY ROBERT MAUTHNER AND PATRICK BLUM IN VIENNA

MR GEORGE SHULTZ, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet opposite number, met in Vienna last night in the first attempt by the two sides to resume their nuclear arms negotiations since last month's Reykjavik summit.

The two ministers had earlier clashed sharply at the Helsinki agreement review conference over who should be held responsible for the failure of their two leaders, President Ronald Reagan and Mr Mikhail Gorbachev, to set seal on a comprehensive arms agreement in Iceland.

Mr Shultz and Mr Shevardnadze met for three hours without their most senior arms control advisers who accompanied them to Vienna. They are due to have a second meeting today.

The two ministers agreed to set up a joint working group which was due to meet last night. The joint leaders of the US delegation to the working group were Mr Paul Nitze, President Reagan's chief arms control adviser, and Mrs Rozanne Ridgeway, the assistant Secretary of State for European Affairs.

In a particularly vigorous speech to the Vienna conference, Mr Shevardnadze reiterated the now familiar Soviet argument that President Reagan's refusal to abandon his intention to develop a new space-based defensive - the SDI project - system was the main obstacle to an agreement in Reykjavik. While Mr

Shultz claimed the Soviet Union wanted to "cripple" SDI by restricting it to laboratory research, the Soviet Foreign Minister accused the US of ignoring Moscow's offers to compromise.

Mr Shevardnadze said that Moscow had agreed the US could carry out laboratory research on SDI for ten years. At the same time it had been asked by President Reagan to endorse the deployment of space weapons at the end of this period, which was tantamount to signing the "death warrant" of the 1973 Anti-Ballistic Missile (ABM) treaty.

In reply, Mr Shultz acknowledged the existence of major differences between the US and the Soviet Union on strategic defences. The US insisted that the SDI programme should not be permanently restricted to research and that it should have the right to deploy space weapons after the agreed 10-year period.

The attitude of the US's European allies to the progress made at Reykjavik was specifically criticised by Mr Shevardnadze, who although he did not mention any country by name, was clearly referring to mainly Britain and France.

Now that a real opportunity had at last emerged to rid Europe of nuclear weapons, some European leaders had begun to talk of retaining US nuclear weapons and keeping

Continued on Page 24

## Tebbit renews his attack after BBC rebuttal

By Raymond Snoddy and Michael Cassell in London

MR NORMAN TEBBIT, chairman of the British Conservative Party last night renewed his attack on the BBC suggesting that he was in no mood to defuse the political row between the corporation and the Conservative Party over biased coverage.

Mr Tebbit accused the BBC of "making a convincing defence against the charges we did not make" in its response to allegations of bias or incompetence over coverage of the American bombing of Libya and its aftermath.

Mr Tebbit was making his first comments on the BBC document published yesterday.

"It is time the BBC officials answered fact and fair criticism with fair defence," said Mr Tebbit, who promised a full response to the BBC document in due course.

The BBC had earlier rebutted Mr Tebbit's allegations. Mr Alasdair Milne, the BBC director general, said the Conservative document was full of misleading assertions and carried "no weight whatsoever."

Mr Milne said he hoped Mr Tebbit would now withdraw his original allegations.

The BBC sent its line-by-line response to Mr Tebbit yesterday. It said that its coverage, like that of Independent Television News, had been "fair, accurate, and thoroughly professional."

The analysis was accompanied by a letter signed by Mr Marmaduke Hussey, who was recently appointed BBC chairman by the Government and who takes over formally today and by Lord Barnett, the vice-chairman of the governors. The governors noted that "what you found biased was not so judged by an ex-editor of the Times (Sir William Beech-Mogg), who was, until recently, a sometimes critical governor of the BBC."

In its submission, the BBC effectively rejected all the Conservative allegations except one. Mr Milne conceded yesterday it was a serious error to link the attempted bombing of an El Al jet at Heathrow with possible Arab reprisals over the Libyan raid. But five national newspapers and ITN had made the same mistake, he said.

Ms Kate Adie, the journalist criticised by implication in the Conservative document, said yesterday she stood by every word of her reporting from Libya.

Editorial comment, Page 22

## Hopes fade for new release of hostages

BY ROGER MATTHEWS, MIDDLE EAST EDITOR, IN LONDON

MR TERRY WAITE, special envoy to the Archbishop of Canterbury, flew back to London last night with no immediate plans to return to Beirut where last week he helped negotiate the release of an American hostage held for 17 months.

"Bumout and speculation" had made his contacts nervous, he said.

Mr Waite said that he would continue his efforts to win the freedom of other Western hostages but complained that there were "a lot of people trying to make political capital and a lot of people trying to sabotage honest and straightforward efforts."

Speaking in Frankfurt before his departure for London, Mr Waite added that he had hoped his trip would have been more successful but denied that he had suffered a setback.

The Washington Post reported yesterday that its sources had confirmed Tuesday's claim by Iran that Mr Robert McFarlane, the former National Security Adviser, had paid a secret visit to Tehran two months ago.

It said the US had told Iran that in return for assisting in the release of hostages in Lebanon, Washington would not interfere with third countries selling American arms and ammunition to Tehran. Ali Akbar Hashemi Rafsanjani, the speaker of the Iranian parliament, had earlier alleged that Mr McFarlane had brought with him military spare parts.

Mr George Shultz, the US Secretary of State, refused to comment.

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### EUROPEAN NEWS

## David Marsh reports on the significance of elections in a depressed area of W Germany Hamburg window on Bonn's political future

HAMBURG, the great German port on the Elbe, has traditionally been the country's window on the world. On Sunday, during voting for the local state parliament, a dress rehearsal for the West German general election on January 25, the city will also function as a mirror.

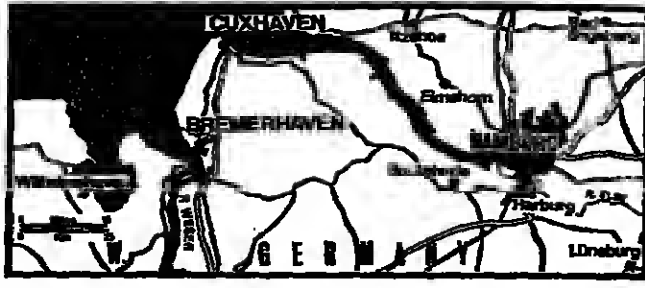
The poll will provide a crucial test for the Social Democrat Party (SPD), the Opposition underdogs in Bonn but rulers in Hamburg for 30 years. The party faces an uphill fight against Chancellor Helmut Kohl's conservative Christian Democratic Union (CDU) in the January elections.

Both parties are pulling out all the stops in Hamburg, with both Mr Kohl and the SPD's candidate for the chancellorship, Mr Johannes Rau, making splashy appearances in the city today.

The decision of the 1.25m Hamburgers will also provide a reflection on how the city intends to face up to pressing economic and social challenges gaining nationwide attention.

Virulent local controversies make Hamburg the focus of wider national issues such as crime and corruption, as well as the SPD's post-Chernobyl policy of phasing out nuclear power stations. The city last year depended on atomic energy for about 75 per cent of its electricity.

The signs are that the SPD



in Hamburg, just as on the national level, is being uncomfortably squeezed in an electoral pincer movement from the CDU on the right and the anti-nuclear Greens on the left.

The party is likely to hang on to power in the city. But it risks losing its absolute majority in the Hamburg parliament, and may have to enter into coalition negotiations after the poll. This would be a further blow to Mr Rau's already fading hopes of winning a nationwide mandate in January.

The city, plush and well-heeled at the centre, fraying seedily around the docks and the famous red-light district, and still bearing residual marks of war-time bomb devastation, has been hard hit by the decline in ship building and shipping industries.

Its problems of inner-city

decay are still relatively minor compared with those of Liverpool and Birmingham in the UK. But with an unemployment rate of 12.7 per cent, 50 per cent above the national average, and two to three times the level in prosperous southern parts of the country, Hamburg has become the supreme example of a growing economic divide between the problem-hit older industrial regions of the north and the booming southern states.

"Hamburgers are not lazier than the people in Bavaria or Baden Wurttemberg. It is because the policy framework is wrong," says Mr Havmut Porschau, the 44-year-old combatively enthusiastic leader of the CDU grouping in the Hamburg parliament, who is the party's candidate for mayor.

The SPD and its mayor, Mr

Klaus von Dohnanyi, 58, a former Junior Foreign Minister in Bonn who combines grandeur charm and heightiness in roughly equal proportions, are likely to find their pedestal rocking by Sunday night.

Opinion polls indicate that more than one third of the Hamburg electorate this week has still to make up its mind. But the SPD appears likely to register a stable decline compared with the 51.3 per cent share of the vote it gained in the last Hamburg city-state election in December 1982. The CDU has a good chance of moving well up beyond the 40 per cent level from the 38.8 per cent it won four years ago.

The junior partners in the centre-right Bonn coalition government, the liberal Free Democrats (FDP), have pledged their willingness to overturn the national alliance and enter into a coalition with the SPD in Hamburg.

But the FDP, which has been unrepresented in the Hamburg state assembly for the past eight years, again seems unlikely on Sunday to gain the 5 per cent share of the votes necessary to win a place in parliament and a share in coalition bargaining.

The Hamburg CDU has brought in a secret weapon with its candidate for the post of Economics Senator (Minister) — Mr Eckart van Hooven, a director of the Deutsche

Bank, the largest in the country. A man with strong Hamburg links who hints he could use his influence to persuade high-technology southern German companies to come northwards, Mr van Hooven is "incompetent" for the task, sniffs Mr von Dohnanyi.

Despite the mutual insults, Mr Porschau leaves open the possibility that after the elections the CDU could give support to a minority SPD government, so long as Mr von Dohnanyi changes his policies of "lame compromises" designed to paper over internal dissent in the Hamburg SPD.

Mr von Dohnanyi and his ambitious state government have had to find uneasy compromises above all over the vexed questions of law and order and nuclear power.

Action has been designed to win support on both left and right fringes of the SPD electorate, but has ended up pleasing no-one.

Ms Christina Rukdelka, the main Greens candidate, says, "More and more older people over 50, worried about the problems of democracy, are coming to us." She is hoping for 8 per cent of the vote. If she gets this, the Green — just as in the Bavarian state elections last month — will probably be declared the winners on Sunday night.

## Polish plan to lower subsidies attacked

By Christopher Bobinski in Warsaw

POLISH GOVERNMENT plans for cutting food and fuel subsidies as well as aid to industry over the next four years have been criticised in parliament.

The Government has presented two alternatives in the draft 1986-1990 economic plan now under discussion. Under the more ambitious version, the budget surplus in 1990 would reach Zl 800bn (\$2.8bn), under the other the surplus would be Zl 120bn.

The tougher plan would mean that consumer prices would rise by 128.5 per cent, with inflation peaking at a politically risky 25 per cent both in 1988 and 1989 and falling, the Government hopes, to single figures in 1990.

The Government, however, has not committed itself to providing any compensation for the price increases and some parliamentary deputies are arguing for appropriate increases in personal income.

Government strategy is also being criticised for its failure to map out structural shifts in production which would give consumer goods priority over the five-year period.

## Chirac tries to calm party worries over European Act

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, has run into trouble with his own deputies over the ratification of the French Parliament of the Single European Act.

The text was due to have been put before the Parliament last month but was delayed because of opposition within Mr Chirac's own neo-Gaullist RPR party. The Government has now set a fresh date of around November 20.

Opposition has come from a group of deputies led by Mr Michel Debré and Mr Pierre Messmer, both former prime ministers under General de Gaulle and thus defenders of the Gaullist tradition of national independence.

They claim that the Act puts at risk French national sovereignty through its clauses that provide for supra-national decision-making through majority vote. The group claims to have the support of some 40 RPR deputies.

They are pressing the Government to add to the text an "interpretative clause" stating that the Act does not override the so-called Luxembourg compromise which provided for decisions to be taken unanimously when any one member judged his vital national interests were involved.

In practice, the Single European Act is intended to speed up decision making within the EEC and specifically to prevent states blocking progress towards a more unified internal market by invoking the Luxembourg compromise.

Mr Chirac met his own RPR deputies on Tuesday night in the hope of sorting out the differences. But the revolt within his own ranks over the issue remains embarrassing to him.

It comes at a time when Mr Chirac, whose European commitment was once weaker than his, is now presenting himself as an apostle of closer co-operation in Europe. He also has in the nationalist UDR — the other main component of his majority — a strongly pro-European party which wants to see no backtracking on the issue. Mr Jean-Claude Gaudin, the parliamentary spokesman of the UDR, warned the Government yesterday not to "provoke" his party over an issue which it regarded as central to the strengthening of Europe.

In practice, the Government should have the support of the Socialists in a vote on the Single Act because it was negotiated by the former Socialist Government.

## E European currencies plunge on black market

BY LESLIE COLLITT IN BERLIN

THE SOVIET rouble, East German Mark, Polish zloty and Romanian lei have plunged to new lows — on West Berlin's flourishing black market for East European currencies.

East Germany's currency fell to its lowest level since the building of the Berlin Wall in 1961.

In West Berlin exchange bureaux, one East German Mark cost only 17% West German pfennig compared with 20 pfennig six months ago.

The rouble fetched only 37 pfennig compared with 47 last April. Officially, one non-convertible "GDR Mark" is equal to DM 1 in East Germany. One rouble equals DM 1.38. West Berlin dealers in East European currencies said the Mark's fall is the result of large amounts of the East German currency being unloaded in West Berlin.

This is partly due to the growing number of East Germans who are being allowed to travel to West Berlin and West Germany. Many of them smuggle out Marks which they exchange for D-Marks in the West in order to buy western products.

But the dealers note that the East German currency is also being sold "by the suitcase-load" in West Berlin by unidentified East Europeans.

The 25 per cent fall in the rouble's unofficial exchange rate was also partly a result of increased amounts of roubles offered for sale in the West. The manager of one exchange bureau near West Berlin's main railway station said, however,

that occasionally even telephone queries will affect the rouble's exchange rate.

"When someone telephones around to ask what he can get for 500 roubles, the rouble drops," he noted.

The Polish zloty, long the weakest of East European currencies on the black market, has fallen in West Berlin to 10 pfennig for 100 zlotys compared with 22 pfennig six months ago. The Bulgarian leva has fallen about 20 per cent and the Romanian lei by 25 per cent since April.

In fact, Eastern Europe's only stable currencies on the black market are currently the Czechoslovak koruna and the Hungarian forint. Although the koruna falls for less than half its official exchange rate in Czechoslovakia, it has dropped by only DM 1 per 100 koruna in six months.

The forint is Eastern Europe's hardest non-convertible currency. Its black market exchange rate in West Berlin of DM 2.60 for 100 forints is virtually the same as the official rate set daily by the National Bank of Hungary.

The Hungarians regularly devalued the forint in Western currencies in recent years until it equalled the unofficial rate, with the last 8 per cent devaluation in September. In addition, Hungarians can buy more western products and services with their currency than other East Europeans, thus reducing their willingness to pay a premium in forints for western currencies.

## Other nations to join EEC anti-terrorism network

THE European Community's anti-terrorism intelligence network is to be extended to virtually every Western democracy. It was agreed yesterday, Agencies report from Strasbourg.

"I think the penny is dropping," said Mr Douglas Hurd, Britain's Home Secretary, at the end of two days of talks. The outcome means that police and security co-operation measures, including the computerised sharing of information already agreed among the 12 EEC countries, will be made available to the other nine nations which complete the 21-government Council of Europe.

Mr Hurd conceded that national interests may prevent some countries from taking up the chance to link into the system. In the wake of Britain's failure to win practical EEC backing for its anti-terrorist moves against Syria, he commented: "It takes time for the penny to drop. But the penny is dropping and countries are realising that overriding their national interests, there is the need to take joint steps to deal with terrorism."

The ability to "plug in" to the EEC co-operation arrangements was important, particularly as it would draw countries like Austria and Switzerland into the network. The Council of Europe talks,

the first of their kind, were attended by the justice and interior ministers of all 21 member states. The result is a series of agreed declarations condemning terrorism in all its forms, recommending closer co-operation between governments and specifically urging co-ordinated efforts to monitor diplomatic and consular representatives in missions considered as having terrorist connections.

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# Shevardnadze aims his broadside at SDI

BY ROBERT MAUTHNER AND PATRICK BLUM IN VIENNA

THE SOVIET Foreign Minister, Mr Eduard Shevardnadze, and Mr George Shultz, his US opposite number, crossed swords here yesterday over nuclear arms control and compliance with the human rights provisions of the 1975 Helsinki Final Act.

In a tough speech, noteworthy for its sophisticated presentation, Mr Shevardnadze again blamed the failure of last month's Reykjavik summit between President Ronald Reagan and Mr Mikhail Gorbachev on Washington's refusal to modify its stance on the space-based Strategic Defence Initiative (SDI).

He also confirmed that unless the SDI problem was resolved to Moscow's satisfaction "no solution is possible to any of the problems in the package as it now stands, whether those of strategic arms or of medium range missiles."

Mr Shultz, by contrast, repeated Washington's charges that Mr Gorbachev had attempted to "cripple" the SDI programme, which the West

needed as an insurance for a safer and more stable strategic balance.

The Soviet minister had some harsh words for the position of "some European leaders" on nuclear disarmament, which he described as "illogical." "Now that a real opportunity has finally emerged to rid the continent of missiles, they have begun to talk of the need to retain US nuclear weapons in Europe and to protect their own alleged privileges as nuclear states," he said.

**'Bold concession'**

After what Mr Shevardnadze described as "the generous and bold Soviet concession" not to include the British and French nuclear deterrents in the Geneva arms control talks between the US and the Soviet Union, he said that Moscow was being presented with a modern version of the Shakespearean comedy "Much Ado About Nothing." The states involved — by which he clearly meant

Britain and France — were having as if the Soviet Union had not made a serious and responsible step to accommodate its negotiating partners.

"Instead of saying 'eventually we shall join you,' they all declare that nuclear systems eternal. Are our missiles in Europe a threat, while theirs are just an assortment of chocolates from a fancy box?" he asked.

Mr Shevardnadze said there could be no doubt that the highest point at Reykjavik had been the convergence of the US and Soviet positions on the elimination of all nuclear weapons over a ten year period. Moscow had done all it could to solve the one obstacle remaining in the way of an overall agreement — the SDI programme. It had accepted a compromise which was now being deliberately ignored, namely its agreement to a ten year period of US laboratory research on SDI.

At Reykjavik, he said, his country had been invited to endorse the deployment of space weapons immediately after this

ten year period and thus to sign the death warrant of the Anti-Ballistic Missile Treaty. Nevertheless, he considered that enough work had been done there to give the Geneva arms negotiations a new start.

**Major differences**

While conceding that the US might have reached "a watershed" in its discussions with the Soviet Union on nuclear arms control, Mr Shultz said that major differences on strategic defences remained. The US had accepted the restriction of its strategic defence research, development and testing activities, permitted by the ABM treaty, to ten years on the understanding that either side would then have the right to deploy space defences unless agreed otherwise. But the Soviet Union had wanted to go much further in restricting the SDI programme to laboratory research.

Turning to compliance of the signatory states with the com-

mitment of the Helsinki Agreement, Mr Shultz said it was important that a balance should be struck between the related problems of military security, political confidence, economic co-operation and fundamental human rights and freedoms.

Success at the Stockholm disarmament conference, when an agreement on military confidence building measures was reached last September, only underlined the disappointing lack of progress in other fields covered by the Helsinki Accord.

The list of human rights abuses in the Eastern bloc was all too lengthy, Mr Shultz said, citing the detention of 41 members of the Helsinki Agreement monitoring group in the Soviet Union. Many more such citizens were incarcerated for trying to exercise their human rights, including Russians, Ukrainians, Balts, Jews and other nationalities. One of the country's most distinguished citizens, Dr Andrei Sakharov, remained cut off from the world in the closed city of Gorky, Mr Shultz said.

Anticipating the US attack



Mr Shevardnadze: tough speech to conference

# European unions assail UK-led jobs initiative

BY QUENTIN PEEL IN BRUSSELS

A BRITISH-LED plan to tackle unemployment in the EEC through deregulation, the promotion of self-employment and small businesses, and greater labour market flexibility, has run into a fierce backlash from European trade unions.

Union leaders threatened to boycott a top-level meeting in Brussels tomorrow with EEC employment ministers, claiming that the UK intended to use the occasion to impose its own ideas and conclusions.

However, last night the British Government appeared to have backed down, proposing to have the meeting on the more broadly based suggestions put forward by the European Commission.

At stake is a joint Anglo-Irish-Italian initiative launched with considerable fanfare last June with the aim of redirecting the policies of the EEC away from specific legislation on job protection, equal opportunities and other social issues, and towards a general attack on unemployment through deregulation and small business promotion.

Mr Kenneth Clarke, the British Employment Minister and a prime mover behind the plan, had hoped to get endorsement from both sides of EEC industry at the Standing Committee on Employment in Brussels tomorrow. The Committee includes the 12 EEC labour ministers, and leaders of the trade union and employers' federations from all the member states.

A meeting in Brussels chaired by Mr Clarke on Monday to prepare for the committee now appears to have had the opposite effect, and left union leaders furious.

In a statement issued after the talks, the European Trade Union Confederation (ETUC) said the meeting confirmed the British Government's "considerable disregard for having a serious dialogue with both sides of industry."

It accused Mr Clarke of discarding a "well-established tradition" of discussing with both sides of industry the likely conclusions of the Standing Committee, "thus revealing the intention to try to use the meeting to construct a fictitious consensus."

The statement said that at the preparatory talks "it became evident that the British Government is seeking to promote at European level the sort of free market dogmas and policies on deregulating working conditions and the labour market which it has been following at national level."

The basic objection of the trade unions to the unemployment initiative is that it seeks to put all the emphasis on deregulation, and none on the expansion of demand and stimulation of new investment, contained in the European Commission's own "co-operative growth strategy."

"It is a diversion from the real debate of getting higher economic growth and more investment," one union leader said yesterday.

The British-led plan has also fallen foul of Commission officials, who believe that it is an attempt by the member states to usurp the Commission's job of proposing policies. Mr Clarke is hoping to get the plan formally endorsed by his fellow employment ministers at their council meeting next month.

# Irish bank urges action on economy

BY Hugh Carney in Dublin

THE IRISH coalition's gradualist approach to correcting serious imbalances in public finances has failed and immediate action is needed to avert further threats to jobs and growth, according to the Irish Central Bank.

In its latest quarterly review, the bank says the economic prospects for 1987 are encouraging, with gross national product expected to grow by 2.5 per cent, compared to 1.5 per cent this year, thanks to a recovery in exports and a pick-up in international trade and stronger domestic demand.

A sharp improvement in the visible trade balance should also reduce the balance of payments current account deficit this year by half to £225m (£215m), or 1.5 per cent of GNP.

But these should not mask the main structural problems. The current budget deficit this year will probably exceed the equivalent of 8.5 per cent of gross national product.

"It will mean, in effect, that no net correction has been made in this respect in the past several years," the bank says. "The economic and social problems associated with persisting the substantial volume of deficit-related debt are of the utmost severity and will worsen unemployment, emigration and growth prospects over the coming years unless firm action is taken now."

The report will dismay but not surprise the Government which faces a general election within 12 months but which has nevertheless pruned an austere, cost-cutting budget in January. The Central Bank blames "lower-than-expected indirect tax and gas board receipts and budget overruns for this year's deficit overshoot."

The bank was less gloomy about the so-called "black hole" — an unexplained capital outflow on the balance of payments account of almost £1bn in the first half of this year. This was mainly because of corporate currency speculation prompted by the weakness of sterling and the US dollar.

# GPA Fokker 100 to seek wider financial backing

BY MICHAEL DONNE IN LONDON AND LAURA RAUN IN AMSTERDAM

GPA FOKKER 100, the company formed jointly by GPA Group of Ireland, Mitsubishi of Japan and Fokker of the Netherlands, to acquire up to 100 Fokker F-100 twin-jet airliners, is to seek additional financial participants for the venture.

Announcing details of the deal in London yesterday, Mr Tony Ryan, chairman and chief executive of GPA Group, said that over the next few weeks, a major syndicate of banks and other financial institutions would be put together to provide the \$2bn that the order for the jets—40 firm with another 60 on option—will involve.

Mr Ryan said that he did not expect any difficulties in putting such a syndicate together. Leasing of aircraft was now a rapidly growing business, and

financial institutions were competing with each other to get into it.

GPA Fokker 100 itself will have an equity of \$100m, shared on the basis of 50 per cent by GPA Group, 25 per cent by Mitsubishi (through Mitsubishi Trust and Banking Corporation) and 25 per cent by Fokker. The company will be the marketing organisation for the 100 aircraft involved in the current deal, but Fokker will also continue to market the aircraft on its account.

The syndicate of lenders now to be set up will subscribe the cash to buy the aircraft from Fokker, with GPA Fokker 100 leasing them to airlines worldwide. The leasing arrangements will vary from airline to airline, but most likely will take the form of operating

leases of anything from three to seven years, with possibilities of renewal.

Under such arrangements, the aircraft remain the property of GPA Fokker 100 on behalf of the financing institutions, with the airline paying fees for their use.

The chairman of GPA Fokker 100 will be Mr Rob van den Heuvel, Fokker's finance director; Mr Christopher Brown, vice-president commercial of GPA Europe, as managing director; Mr M. A. Foley, president of GPA Group; Mr Y. Taniguchi, managing director of Mitsubishi Corporation; and Mr H. Wetznabe, managing director of Mitsubishi Trust and Banking Corporation.

The order is the biggest received by Fokker, and brings total firm orders for F-100s to 85 aircraft, with options on another 91, a total of 176.

In addition to the Rolls-Royce Tay engines used in the aircraft, Short Brothers of Belfast will also benefit from building the wings. Several other UK companies provide equipment and systems, including Dowty and Dunlop. About 46 per cent of the F-100 is of UK manufacture.

Fokker will deliver the 40 jets firmly ordered in 1988-1991, with the options for delivery from 1991 to 1995 if converted to firm orders. The deal will enable Fokker to raise its

production rate of F-100s to four aircraft a month.

The deal comes at a crucial time for Fokker, sluggish sales hitherto of the F-100, and of the company's other new aircraft, the turbo-prop F-50, with production delays and the high development costs, have led Fokker to predict sharply lower earnings for 1986.

The unexpected difficulties in switching production over from the earlier F-28 twin-jet to the F-100 have delayed deliveries to Swissair and KLM, the first two customers, but they are expected to start next autumn. Other orders to date have come from US Air and International Lease Finance Corporation.

# Moscow to accelerate emigration procedures

SENIOR SOVIET diplomats, mounting a counter-attack against Western accusations of human rights abuses, yesterday announced "legal" measures to speed up emigration cases, AP reports from Vienna.

The move mirrors a "far-reaching process toward serious reforms that will introduce more democracy to our country," said Mr Anatoly Kovalev, the Soviet First Deputy Foreign Minister.

The Foreign Ministry spokesman, Mr Gennadi Gerashimov, said a recent Kremlin council of Ministers decision effective 30 January 1 would require Soviet agencies to rule on exit visas within one month except in unspecified "special cases," in cases of family death, foreign travel requests will have to be answered within three days, he said.

He said restrictions would apply to "citizens privy to state secrets, involved in unresolved property issues, or charged with a crime."

Mr Gerashimov and two other senior Soviet diplomats held a news conference in an effort to blunt tough Western criticism of Communist human rights practices during the 35-nation Helsinki review conference of East-West security and co-operation.

Reporters repeatedly challenged the Soviet conference delegates about instances of individuals and families arbitrarily refused exit visas for their use.

Mr Gerashimov said raising personal cases at a news conference was "demagoguery" which "ignores the bigger picture."

Mr Kovalev left unclear whether the new rules would increase emigration, not going beyond saying that "cases involving family reunions as well as (citizens with spouses in the west) will be dealt with in a spirit of humanitarianism."

Mr Kovalev said: "I want to convince this audience that great efforts are being made in the direction of ordinary human contacts" with Westerners. "But we are sometimes dealing with tragedies that don't lend themselves to easy solutions."

# Quality of Soviet weapons shows steady improvement

BY IAN DAVIDSON

THE Soviet Union's vigorous defence equipment buying programmes are leading to a steady improvement in quality, according to the latest edition of the Military Balance, the annual assessment published by the International Institute for Strategic Studies.

The Soviet Union does not appear to have made any big breakthroughs in weapons, according to the IISS, but the more complex systems, such as aircraft, continue to show increasing sophistication. The study estimates that the Soviet Union should be well placed to continue its military modernisation programmes up to the end of the decade by means of qualitative change, without large new investments.

The Military Balance estimates that the Soviet Union is probably spending about as much as the US on strategic defence research, and that its research, development, test and evaluation programmes include space-based defence as well as ground-based anti-ballistic missile technology.

The report sees no early end to the war in Afghanistan. "The Military Balance 1986-87, IISS, 23 Tavistock Street, WC2, £15.95.

# Dutch curb oil spending

BY LUCY KELAWAY

SPENDING IN the Dutch sector of the North Sea has been cut by more than one third as a result of the collapse in the oil price, according to the Dutch Economics Ministry.

Since the beginning of the year, forecast expenditure for 1986 has dropped from Fl 4.3bn (£1.5bn) to about Fl 2.8bn (£851m). The fall is expected to be sharpest in spending on new oil installations, which are likely to be 50 per cent below budget, the ministry said.

These cuts are larger than for the UK and Norwegian sectors of the North Sea, where spending this year is likely to be 30 per cent below budget.



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OVERSEAS NEWS

US warships berth in China for first time since 1949

BY ROBERT THOMSON IN PEKING

US NAVY vessels berthed at a Chinese port yesterday for the first time since Communist rule began in 1949 in a symbolic visit that Washington hopes will lead to increased military co-operation between the two countries.

The three vessels, a guided-missile cruiser, a guided-missile frigate, and a destroyer, pulled into the northern port of Qingdao, after China and the US had come to an arrangement on the sensitive issue of whether the warships were nuclear armed.

A similar exercise in "gunboat diplomacy" planned for May last year was scuttled after Chinese officials said they had a guarantee from Washington that the vessels would not carry nuclear weapons, while US officials maintained that they never give such guarantees.

The port call was approved after China made clear that nuclear-armed vessels would be unacceptable, and the US made clear that while it refuses to give non-nuclear guarantees, it fully understands China's policy. Two of the vessels are capable of carrying 20-megaton nuclear warheads.

Admiral J. A. Lyons, com-

mander-in-chief of the US Pacific Fleet, and the 900 officers and crew will spend six days in Qingdao. The Chinese Government has labelled the visit a "friendly courtesy call," while the US Government sees it as a "goodwill" visit that will strengthen military understanding between the two countries.

Washington has other reasons to be pleased by the port call, which will keep Moscow guessing as to how far Sino-US military co-operation will go. The visit also reassures US officials unnerved by a possible thaw in Sino-Soviet relations.

The three vessels are the first US warships to dock in China since May 1949, when the USS Dixie fed Qingdao, which had been a base for the US Pacific Fleet, just before Mao Tse-Tung and his Communist forces won power.

China's Navy is in need of an overhaul, so the US vessels will be floating "supermarkets" for purchasing officers. The US has already sold 24 helicopters and artillery shell technology to China.

Australian court demands Hollis documents from UK

BY CHRIS SHERWELL IN SYDNEY

THE BRITISH Government has been ordered to produce all documents and materials in its possession relating to the controversial case of Sir Roger Hollis, the late head of the country's domestic intelligence and counter-espionage service, known as MIB.

The order, made yesterday by the New South Wales Supreme Court in Australia, means the Government is now under Australian law legally bound to produce in court the evidence on which Mrs Margaret Thatcher, the British Prime Minister, asserted to Parliament in 1981 that Sir Roger had not been a long-time spy for the Soviet Union.

It also represents a critical setback for the UK Government in its 16-month legal campaign to prevent the publication in Australia of the memoirs of Mr Peter Wright, a retired MIB agent now living in Tasmania.

The court decision was made at the end of a two-day hearing in which Heinemann Publishers Australia and Mr Wright sought court backing for their demand that the UK Government produce all relevant documents supporting its case for suppression of Mr Wright's memoirs.

The order represents the most dramatic development since the British Government decided in August to admit that, "for the purposes of these proceedings only, and not

otherwise," the contents of Mr Wright's memoirs were true. Among other things, the memoirs are believed to assert that Sir Roger was a double agent.

Unless the British Government now responds to yesterday's order, it runs the risk that its case will be dismissed. This is scheduled to be heard on November 17, and Sir Robert Armstrong, head of the UK Civil Service, is among those expected to appear as a witness.

Earlier this week, Sir Michael Havers, UK Attorney-General, confirmed in response to a written Parliamentary question, that the Government was seeking the participation of the Australian Government in the forthcoming court proceedings.

The office of the Australian Attorney-General has said the matter is "under consideration."

In his ruling yesterday, Mr Justice Powell ordered the UK Attorney-General to produce the relevant documents by noon next Wednesday, and reserved to Heinemann and Mr Wright the right to apply for further documents.

He awarded costs against Heinemann and Mr Wright, but said these might be recoverable later if the main case went their way. Mr Powell had earlier made some pointed

observations about the UK Government's apparent lack of eagerness to move the whole matter forward, suggesting that it had pressed its case in a somewhat dilatory fashion.

The documents it now has to produce cover two principal areas: those concerning its attitude regarding the publication of books on the intelligence services by Chapman Pincher and Nigel West, and those relating to the broadcast of Channel Four television programmes on MIB which included an interview with Miss Cathy Massier, a former MIB employee.

Prior to the start of yesterday's court session, counsel for the UK Government agreed to furnish these documents. This is presumed to have followed overnight consultation with London, and represented a clear retreat.

Documents concerning Sir Roger Hollis, including the UK Government's assessment of the assumption that he was a Soviet spy and its briefing papers, notes, memoranda, submissions and files used prior to Mrs Thatcher's House of Commons statement in March 1981.

This is clearly the more sensational demand, and plainly the one more difficult to comply with. It is the contention of the defence that part of Mrs Thatcher's statement

may have been false. The judge refused a third application by Heinemann and Mr Wright to have documents produced relating to police investigations of allegedly unlawful MIB activities.

He said police conclusions on the lawfulness or otherwise of such activities were not relevant in settling the immediate questions at issue. Mr Wright and his publishers hope to demonstrate there is no ground for suppressing publication of Mr Wright's memoirs. They say the material is no longer confidential, is already known to the Soviet Union, and is out of date.

They also claim the memoirs contain evidence of treason and of unlawful acts by members of the British Security Service, and should be published on those grounds.

The UK Government argues that Mr Wright has broken a contract committing him not to publish, and that the Government's authorisation is needed for publication even when similar or related material has already been published by others or is in the public domain.

According to Heinemann, the British Government has implicitly authorised such publication in the past by giving clearance for Mr West's book on MIB, A Matter of Trust.

Manila seeks rescheduling pact by weekend

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE PHILIPPINES hopes to reach a new debt rescheduling agreement with its main creditor-banks by this weekend. Mr Jaime Ongpin, Finance Minister, said in New York yesterday.

Mr Ongpin said in a statement to Reuters that the talks, now well into their second week,

were at a delicate stage but that "we hope to be finished by the end of this week."

His remarks came against the background of Manila newspaper reports that Philippine demands in the negotiations had caused them to stall.

Mr Ongpin has said he wants terms at least as good as those granted Mexico for the pro-

posed rescheduling of \$3.6bn (\$2.5bn) in debt falling due between 1987 and 1991.

But commercial bank lenders are anxious to demonstrate that the Mexican deal, which includes a margin of 18 per cent over London Eurocurrency deposit rates and a maturity of 20 years, was an exceptional one, granted only because of

the impact on Mexico's economy of the collapse in oil prices. Because of this, there was initially a wide gap between the two sides when the talks began. Work is now continuing to narrow this gap, but bankers said they could not be certain it would be possible to resolve all outstanding issues by the weekend.

SOUTH AFRICAN RESHUFFLE Botha consolidates his hold on power

BY ANTHONY ROBINSON IN JOHANNESBURG

AFTER EIGHT YEARS in power President P. W. Botha has signalled his intention to remain at the helm of the technocratic-managerial Government structure he has created in South Africa.

In the Government reshuffle announced on Tuesday, he brought in a trusted confidant Mr Alwyn Schlebusch, the former vice president, to help share some of the burdens of his own executive Presidency, retired five older Ministers, and doubled the number of Deputy Ministers from 10 to 20 while reducing Cabinet numbers from 20 to 18 and re-structuring the economic portfolios.

What he did not do was just as significant. He failed to promote any coloured or Indian politicians into executive positions or bring in fresh blood from business or the professions, concentrating instead on bringing younger members of his own National Party into junior ministerial positions.

Only two of the new entrants to deputy ministerial rank, Mr Stoffel Van Der Merwe, who replaces the sacked former Deputy Minister of Information Mr Louis Nel, and Mr Kobus Meiring, who becomes the second Deputy Minister of Foreign Affairs, are firmly in the "verligte" or liberal wing of the party.

The claims of other relatively young and ambitious "verligtes" like Mr Wynand Malan or Mr Albert Nothnagel have again been overlooked. Mr Botha prizes loyalty over free thinking.

The hallmarks of the Botha years have been the development of an elaborate system of government by committee and a technocratic style which he absorbed during his 17-year tenure at the Ministry of Defence. There, he presided over the build-up of South Africa's regional military super-power status.

The reshuffle does not mark any change in policy. In broad terms the aim of perpetuating white, or more specifically Afrikaner hegemony remains, through a combination of coercion and co-optation of as many non-whites as possible without risking loss of control.

With the exception of Mr Louis Le Grange, the Minister of Law and Order, replaced by his younger deputy Mr Adriaan Vlok largely for health reasons, all the key ministers remain at their posts.

They include the eventual heir-apparent, Mr F. W. De Klerk, whose front runner status is enhanced by adding the post of Leader of the House of Assembly, Mr Chris Hennis, Minister of Constitutional Development, Dr Gerrit Viljoen, Minister for Education and Development, Mr Pik Botha, foreign minister, and General Magnus Malan, defence minister. The last three have been given an additional Deputy Minister.

In preparation for an increasingly anarchic future in the face of disinvestment, trade sanctions and the cutting-off of foreign credits, the economic portfolios have been reorganised. The Departments of Energy and Mineral Affairs and Trade and Industry have been merged into a new Ministry of Economic Affairs and Technology under Mr Damsie Steyn.

It concluded: "The essence of the changes, we suspect, is a preparation for sanctions and a siege economy, in which the central government will have control of information, tax, tariffs, prices, costs, expenditures and anything else it cares to take over. It is the opposite of democracy."

Whether the reshuffle is also the precursor of early general elections remains to be seen. But the retirement of ministers should at least lead to a series of by-elections early next year, which will test how the white electorate views the revamped government.



President P. W. Botha

He will also take charge of the Government's "inward industrialisation policy," whose efforts at import substitution and export promotion will be accompanied by deregulation of small business and privatisation.

SOUTH AFRICA said yesterday that it would not reopen 40 schools for blacks in eastern Cape Province until students boycotting classes to protest against racially-segregated education agreed to return. Reuters reports from Johannesburg.

The statement by Mr Sam de Beer, Deputy Minister for Black Education, indicated the Government's stand on the apartheid boycotts, which have disrupted black education in some black townships for two years.

Both topics will be under discussion at Friday's economic summit in Pretoria, where President Botha and most of his Cabinet will meet 200 business leaders in an attempt to whip up flagging business confidence.

Mr Barred Du Plessis, the Finance Minister, gains responsibility for the Government's economic advisory services, in addition to his existing responsibility for finance, the Treasury, Internal Revenue and Customs and Excise. He too gains a second Deputy Minister, Dr Org Marais who joins the existing deputy, Mr Kent Durr.

One of the most controversial aspects of the reshuffle is the way in which President Botha has brought both information and broadcasting under his control by the appointment of Mr Schlebusch as Minister responsible for the state run radio and television corporation.

This drew sharp criticism in the editorial columns of Business Day. "A powerful executive, barely restrained by a weak legislature and armed with the means to sway and manipulate public opinion as can be achieved short of outright dictatorship," the paper commented.

It concluded: "The essence of the changes, we suspect, is a preparation for sanctions and a siege economy, in which the central government will have control of information, tax, tariffs, prices, costs, expenditures and anything else it cares to take over. It is the opposite of democracy."

Whether the reshuffle is also the precursor of early general elections remains to be seen. But the retirement of ministers should at least lead to a series of by-elections early next year, which will test how the white electorate views the revamped government.

Gulf leaders vow to guard ships from attack

LEADERS of the Arab League and the Gulf Co-operation Council (GCC) yesterday ended their annual summit with a vow to protect ships travelling to and from their ports from attacks by Iran and Iraq, AP reports from Abu Dhabi.

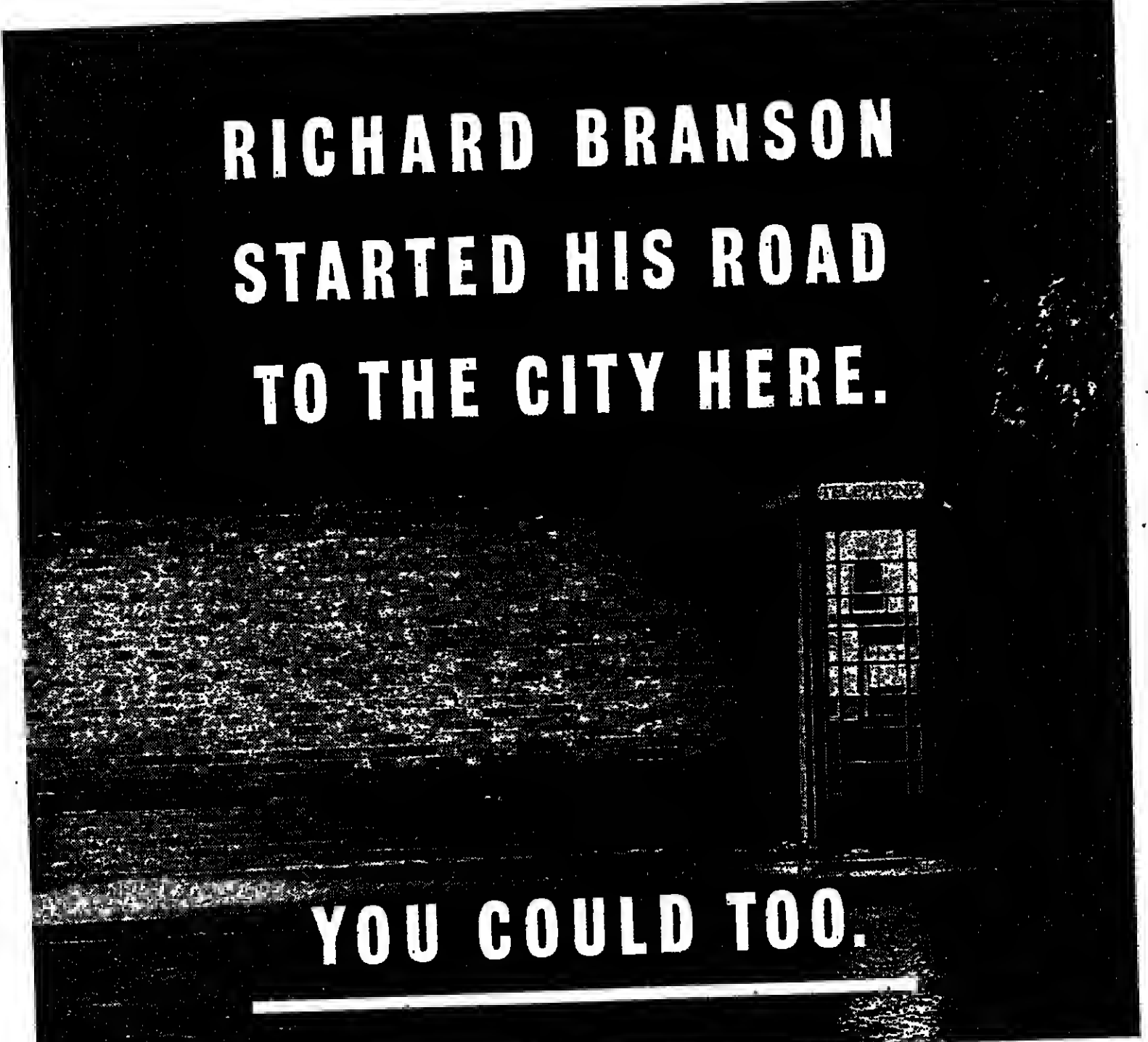
But there was no mention in the conference's final communiqué about a joint oil strategy, which had been discussed by GCC oil ministers in a separate meeting held on the fringes of the summit on Tuesday.

Winding up four days of closed-door deliberations, the Gulf's conservative leaders appealed to Iran to heed medi-

ation bids and accept a negotiated end to the six-year conflict with Iraq.

"The GCC countries affirm their determination to safeguard their legitimate interests in protecting freedom of navigation to and from their respective ports," the communiqué said.

The six leaders had approved undisclosed recommendations for defence co-operation among the armed forces of their countries. They also pressed the creation of the "peninsula shield"—a two-brigade joint rapid deployment force based in Eastern Saudi Arabia.



In 1970, Richard Branson started a discount mail-order record business from a phone box in London. Today Virgin is a multi-million pound turnover group, which operates in 17 countries and employs some 16,000 staff. Virgin's record companies back over 150 artists, including hitmakers Phil Collins, Culture Club, Peter Dinklage, Human League, and Oldfield. Virgin's record labels are UB40, Virgin Records, and Virgin Music. Virgin is planning to go public. So you can apply for shares if you'd like to reserve a prospectus call 01-200 0200 now. Either from the privacy of your own home, or from a call box.

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# NTT chief in effort to buy more in Europe

By Ian Rodger in Tokyo

**NIPPON TELEPHONE and Telegraph is about to descend on Europe.**

The company, however, is not trying to export anything. On the contrary, NTT, which is Japan's telecommunications common carrier, is holding a seminar in Brussels later this month to tell people that it wants to buy more equipment from European manufacturers. That should not be difficult. NTT's equipment purchases in Europe last year amounted to a mere £1.7bn (\$2.7bn) and most of that was for medical equipment for its staff clinics and paper for its telephone directories.

It all seems rather pathetic, considering that NTT was ordered by the Japanese Government five years ago to open up its procurement to foreign bidders.

But NTT says it is not entirely to blame. It points to the rapid growth of its purchases from the US, up from ¥3.8bn in 1981 to ¥32.1bn last year. This year will see another jump following the \$600m switching equipment order placed with the US subsidiary of Canada's Northern Telecom in May.

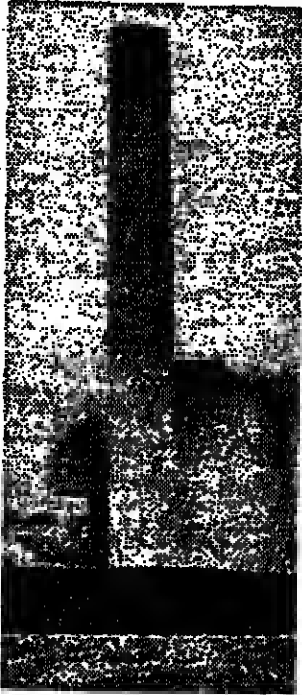
Mr Haruo Yamaguchi, NTT's senior executive vice-president, is heading the NTT mission to Europe, which will include visits to European telecommunications carriers and manufacturers, as well as the Brussels seminar.

In an interview yesterday, Mr Yamaguchi acknowledged that European telecommunications equipment suppliers, who have lived with considerable protectionism in their own markets, may well have been sceptical about NTT's procurement policy. But he was surprised that Ericsson of Sweden and Philips of the Netherlands, which had long been active exporters of telecom equipment, had not been more responsive.

The NTT's message will be that European companies should become involved at the product development stage. The group's other message will be that the Japanese market for many types of telecommunications equipment is now open and competitive. Mr Yamaguchi pointed out that NTT has only 10 per cent of the Japanese PRX market and 50 per cent of the business telephone market.

# What's good for governments may be bad for banks

Franchise financing attracts supporters in the West and the industrialising world, reports Christian Tyler



**PRIVATISATION** has become a watchword in the West, where governments have a political mandate to reduce the size and influence of the public sector. But the concept is spreading fast in less-developed countries, where lack of money rather than ideology provides the motive.

Bankers say one form of privatisation has become especially popular: encouraging foreigners to finance, build and operate public works like power stations, ports, bridges, tunnels and airports. It has put a new phrase into their lexicon: franchise financing.

In the last century, most infrastructure development was privately financed and run. Investors could have a punt on Chinese railways or projects like the Panama Canal. Oil gas and coal reserves have always been financed this way, as have trunk roads and bridges in many Western countries.

But reintroducing the technique into the developing world

will not be so simple, if only because foreign equity investment is tightly regulated now. It is not so easy to attract private finance for projects that will be subject to government policy and which are intended ultimately to revert to state ownership.

The Anglo-French Channel tunnel project, which has just scraped together its quorum of international investors, is a modern landmark in the privatisation of public works. But the more recent proposal in England for a privately financed motorway bridge over the Thames at Dartford is seen as the real breakthrough in terms of British public policy.

According to London merchant bankers Schroder Wagg, who claim to be the world leader in franchise financing, the British example has helped spread the fashion to some of the richer developing countries, such as Turkey, Malaysia and Jordan. Hong Kong has traditionally franchised its transport projects, and Singapore will do

the same with its urban railway scheme.

The typical franchised project involves the creation of a small joint equity venture company in which the contractor, the operator and the customer utility may all have a share. The franchisee — or concession company — then seeks to borrow in order to fund construction on the security of the income it expects to generate from the project, whether it be a toll on traffic or sales to a state utility company. It will aim to cover its costs in, say, 15 years and then hand the installation over to government.

For a developing country like Turkey, this "build-operate-transfer" technique has a big apparent advantage: it provides desperately needed infrastructure without adding to sovereign borrowing. But this advantage may be more apparent than real, because banks may still see the leading against their loan quotas for the country — as may any official export credit agency that can be persuaded to guarantee the debt.

For although the money is being lent to a private investor on the basis of the project's creditworthiness, there is still a measure of political risk. Will the state customer for electricity from a privately-run power station stick to its contract? Will the project revenues be paid into an offshore, or escrow, account?

It costs a great deal more to fund projects on a franchise basis. According to Schroders, it might mean a premium of as much as 4 or 5 per cent in return, however, the host country may reap its real advantage — which is to get a viable and efficient plant, not a costly white elephant.

The argument about financing costs has been at the centre of the debate in Britain. The Treasury has been arguing that higher project costs may be worth paying if efficient private management is the result.

But it has insisted on counting privately-funded infrastructure as part of, not

additional to, the public sector borrowing requirement (PSBR) on the grounds that it is a diversion of national investment resources into schemes that the government could fund more cheaply, its case for treating franchise projects as part of the PSBR was overridden at Dartford.

Britain's Export Credits Guarantee Department is looking nervously but not unsympathetically at franchise financing. It has burnt its fingers before on projects where there is no recourse to a foreign government and where the only asset is the earning potential of the franchise holder.

"This is dangerous territory," said Mr Jack Gill, ECGD secretary. "If we are not careful we could end up seeing export credits used as equity finance... and ourselves with no share of the profits."

Eximbank of the US has already taken the plunge, offering \$400m of credit for a conventional power station near Istanbul that would be built by a \$200m joint-venture com-

pany of international contractors with the Turkish electricity authority. The Swiss are also reported to be backing another coal-fired power station project.

Theoretically, the scope for franchise financing looks endless. There is already talk in Britain of using it for a second bridge and a barrage on the river Severn; Schroders is backing a franchise proposal from NEL, the turbine and boiler manufacturers, for a lignite-fired power station in Northern Ireland.

Ahead, apart from the long list of proposed Turkish projects, there is interest in Malaysia — which has already franchised an existing container terminal at Port Klang — in the Philippines and in India.

Civil engineering contractors and process plant builders are desperate for work and have latched onto the franchise technique as a way of filling order books at home or abroad. But they are in the building business, not the risk business. It is the lending banks and credit agencies, who will decide whether the risks of franchise financing look good — or just defiant.

## Japan denies chip accord with US is in jeopardy

By CARLA RAPOPORT IN TOKYO

**JAPAN** yesterday rejected the notion that the US-Japan semiconductor trade agreement is in jeopardy.

The chip pact, signed last summer, is aimed at preventing dumping of Japanese chips in the US and boosting sales of US chips in Japan. US chip-makers claim that the Japanese are already violating the pact by dumping chips in third countries and in Japan, and have set a deadline of November 15 of the issue to be resolved.

High-level talks on the accord are scheduled for next week in Tokyo. But Japanese officials say the meeting is simply one of the periodical meetings already agreed upon by the terms of the chip pact. Further, they reject the notion that Japanese companies are contravening the bilateral chip accord.

Japanese government officials yesterday acknowledged that there are some discrepancies between prices of chips in third countries and in the US. The Ministry for International Trade and Industry (MITI), however,

said that world chip prices were going through a transitional period.

"In the near future (Japanese) chip prices in third countries will go up and prices in the US will go down," a MITI official added.

The pricing of Japanese chips in the US has been a great source of controversy since late summer. These prices, set by the Department of Commerce, are based on figures submitted by each Japanese company. The initial prices were heavily criticised by US chip consumers as well as Japanese chip makers as being unreasonably high. Recently, however, the department has revised these prices downward.

The US and Japan have accepted the European demand for joint consultation on the US-Japan chip pact and its alleged violation of the General Agreement on Trade and Tariffs. MITI officials said yesterday that officials from the US, Japan and the EEC will meet in Geneva by the end of this month to discuss this issue.

## India to raise Rs 1.5bn for N-plant plans

By K. K. Sharma in New Delhi

**INDIA** is to set up a Nuclear Power Corporation which will raise at least Rs 1.5bn (\$120m) from capital markets to establish a series of nuclear power plants of 500MW each, Dr Raja Ramanna chairman of the Atomic Energy Commission, announced yesterday.

India plans to achieve a total nuclear generating capacity of 10,000MW by the end of the century at an estimated cost of Rs 100bn. Dr Ramanna also said that the Soviet Union's long-standing offer to build a 1,000MW nuclear power plant in India would be discussed when Mr Mikhail Gorbachev visits Delhi later this month. However India has never been keen on the offer, which involves enriched uranium technology not already used in India, and is unlikely to accept it during the visit.

The Soviet offer was initially made about four years ago and this has been frequently repeated without the Indians showing much interest in it.

## EEC ASKED TO INVESTIGATE FINANCE

# France queries Italian ship order

By PAUL BETTS IN PARIS

**THE FRENCH** Government is to ask the European Commission to investigate possible breaches in the EEC's shipbuilding subsidy code by Financieri di Italy over a big luxury cruise ship order from Sitmar Cruises of the US.

The move follows Sitmar's decision not to confirm an order for a second \$150m luxury cruise ship to Chantiers de l'Atlantique, the shipyards owned by the French Alsthom heavy engineering group.

After two years of negotiations, Sitmar ordered one cruise ship worth \$150m from the French group this summer and took an option for a second similar ship. The US cruise concern was due to make a final decision on this vessel by the end of this year.

Sitmar, however, has decided not to go ahead with a second order for Alsthom but instead has just reached an agreement with Financieri di Italy. The Italian shipbuilding group is understood to have offered a financially more attractive package for Sitmar involving the construction of two cruise ships

Lloydwerft, the West German shipyard based in Bremerhaven, has won a \$2m contract from the Financieri and Oriental Steam Navigation Company of the UK to carry out a major technical refit and refurbishment of the 45,000 tons cruise liner Canberra, Kevin Brown, Our Transport Correspondent reports. Lloydwerft is also currently carrying out a \$90m engine refit for Cunard on the Queen Elizabeth II.

which would be leased back to the US cruise ship operator. The loss of the second Sitmar luxury cruise liner is a big blow for Alsthom which has been seeking to concentrate on the construction of luxury cruise ships to ensure the viability of its big yard on the Atlantic.

Alsthom is currently building the world's largest cruise liner, the \$175m Sovereign of the Seas, for the Norwegian Royal Caribbean Cruise Lines. Alan Friedman adds from Milan: At Financieri headquarters in Rome, the Italian

company, which is part of the IRI state holding group, was last night issuing a terse "no comment" on the matter. But officials of Financieri were clearly caught by surprise at the news of the French complaint and claimed in private that they knew of no wrongdoing on their part.

In another blow for the troubled French shipbuilding industry, the French Compagnie Generale Maritime (CGM) shipping group has just ordered a new container ship from the South Korean SEH yards. The French Government gave its approval to the order because of the very sharp difference between the bids of the Koreans and the French yards.

A French Industry Ministry official said yesterday that the Korean bid involved a cost of only FF 262m (\$89m) to build the container ship, while the French Normed group, which has now filed for bankruptcy, was bidding FF 840m. He said the Alsthom bid was "substantially less" than Normed but "substantially higher" than the Korean bid.

## Gatt appoints heavyweight from US

By William Duffell in Geneva

**MR CHARLES CARLISLE**, the US Administration's tough chief textiles negotiator, will become deputy director-general to the General Agreement on Tariffs and Trade (GATT) from next January. Mr Carlisle will replace Mr William Kelly.

GATT, the world trade organisation has two deputy directors-general, one of whom by tradition is an American. The other post is currently held by the long-serving Mr Madan Mathur of India.

The appointment of Mr Carlisle, regarded as a heavyweight, is generally seen among trade officials in Geneva as strengthening the GATT secretariat.

But some developing country representatives were concerned yesterday about the poacher-turned-gamekeeper aspect of Mr Carlisle's nomination. His last grandstand performance in GATT was as an inflexible negotiator insisting on having the Multifibre Arrangement (MFA), the accord that governs most of world trade in textiles and clothing, extended to cover new fibres.

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US ELECTIONS

Republicans take lead in tally of governors

REPUBLICANS, stripped of their majority in the Senate, found solace in the elections for state governments, making a net gain of eight seats...

Stewart Fleming, US Editor, in Washington looks at the mid-term poll results Democrat victory brings sweeping Senate changes

WHEN CONGRESS reconvenes in January Democratic staff members of the Senate Finance Committee will pack up their files in the windowless ground floor of the Senate Dirksen office building...

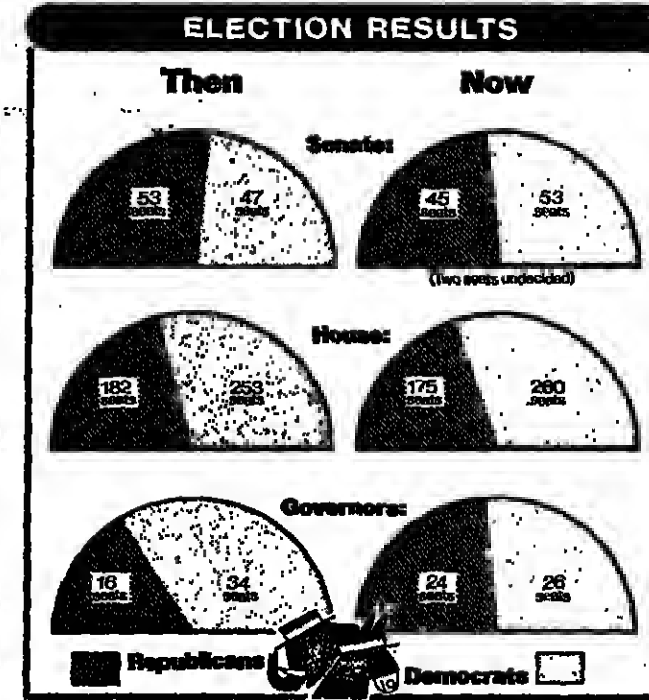
Republican class of 1986 were spared. Senators Bob Kasten of Wisconsin bucked the farm belt trend against President Reagan in a brutal mid-ling election...

Hard-hit farmers take revenge

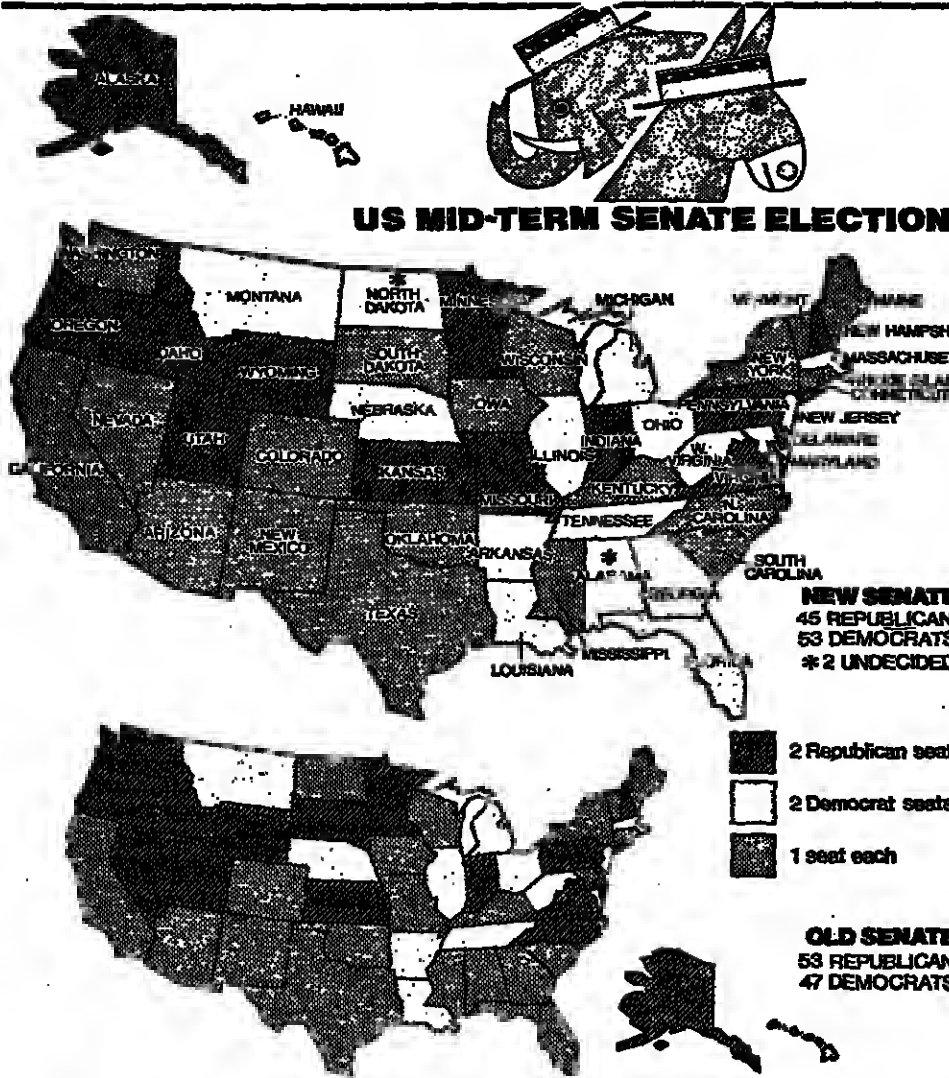
By Nancy Dunne in Washington US FARMERS voted overwhelmingly for President Reagan in 1984, but many Republicans who supported the President's "free market" agricultural policies met defeat in Tuesday's mid-term elections...

Economy key factor for voters

BY LIONEL BARBER IN WASHINGTON THE US economy as a key factor in the sweeping Democratic victory in the US Senate race, according to an exit poll by ABC News...



24,000 miles through 22 states in an effort to capitalise on his own popularity, also appears to have failed to capture the support of younger voters...



returning to Washington will find themselves in different, sometimes straightened, circumstances. Senator Bob Dole, easily re-elected in Kansas, can comfort himself that although he has lost the high profile position of Senate majority leader...

Among the nation's governors, the sweeping re-election of Democratic Governor Mario Cuomo of New York makes him a more attractive presidential prospect...

political limelight. Mr Cecil Andrus, Interior Secretary under Mr Carter won the governor's race in Idaho and Mr Neil Goldschmidt, for a time President Carter's Transportation Secretary, was elected Governor of Oregon...

Wall St unperturbed over poll losses for 'party of business'

WALL STREET wasted no time yesterday worrying that the traditional "party of business" had lost control of the Senate in the mid-term elections. Stock prices resumed their steady advance of recent days...

Senator Robert Byrd, the West Virginia Democrat who stands to become the next Senate majority leader, indicated that the deficit reduction targets in the Gramm-Blumenthal budget law could be changed next year when Democrats take over the Senate...

Senate's new men step forward

By Lionel Barber and Nancy Dunne THE SWEEPING gains made by the Democratic Party in the US Senate have given them a majority over the Republicans...



runner of deficit reductions in the 99th Congress. Senator Sam Nunn of Georgia, a former coastguard turned lawyer, Senator Nunn, 48, is the Democrats' leading specialist on arms control and defence...

Soviet Union reacts with mild jubilation

BY PATRICK COCKBURN IN MOSCOW THE SOVIET UNION is clearly pleased that President Reagan has lost control of the Senate. But the Soviet media confined its initial reaction yesterday to reports by the state news agency Tass...

Mr Mikhail Gorbachev, the Soviet leader, is likely to see the Republican loss of the Senate as a blow to the Strategic Defence Initiative (SDI) which Mr Gorbachev says is the key obstacle to a nuclear disarmament agreement with the US...

OTHER AMERICAN NEWS

US companies battle against shoplifters

"I WANTED to get into crime," quips Mr Arthur Minasy when he explains why in 1985 he started a company in an entirely new field - anti-shoplifting systems...

S Africa sanctions 'will not hurt grain sales'

NEW FIGURES by the Agriculture Department show that US trade sanctions against South Africa will have little impact on sales of grain and other commodities produced by American farmers...


US companies battle against shoplifters

For example, last year Hicksville-based EAS, the number two EAS company with \$36m in sales, introduced its Chameleon System, which is the standard-bearer in its drive for more business in America...







  
**DEPARTMENT OF EDUCATION AND SCIENCE**  
 ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH  
 TELEPHONE 01-934 9000  
 FROM THE SECRETARY OF STATE

*Dear Teacher,*

I think it most important that you should have the precise details of what I have said on school teachers' pay and conditions of service.

I announced in the House of Commons on 30 October that teachers' pay should be increased on average by 16.4% by 1 October 1987, with the first 8.2% of that increase payable from 1 January 1987. By 1 October 1987 the existing pay scales would be replaced by new scales:

- A nine point incremental scale rising from £7,900 to £12,700
- Five additional above scale allowances - £900, £1,800, £2,800, £3,800 and £4,800
- Deputy heads' salaries, according to size of school, of £14,750 to £22,250
- Head teachers' salaries, according to size of school, of £15,500 to £30,500

The tables below show current salaries and proposed salaries for October 1987.

Teachers' professional obligations should be clearly defined, so that teachers, head teachers, employers and parents know exactly where they stand. The panel below sets out the definition I propose.

*Yours sincerely,*  
*Kenneth Baker*

### Proposed salaries for October 1987

SCALES 1-2		SCALES 3-4		SCALES 5-6		SCALES 7-8	
Present Salary	New Salary	Present Salary	New Salary	Present Salary	New Salary	Present Salary	New Salary
6,423	7,600	8,910	10,900	10,533	14,800	11,349	16,500
6,696	7,600	9,204	11,700	10,986	15,500	11,778	16,500
6,900	7,600	9,501	11,700	11,349	15,500	12,201	16,500
7,107	7,900	9,804	12,300	11,778	15,500	12,627	16,500
7,302	7,900	10,170	12,300	12,201	15,500	13,053	16,500
7,560	8,200	10,533	12,900	12,627	15,500	13,656	16,500
7,824	8,500	10,986	13,600	13,053	15,500	14,151	16,500
8,085	9,200	11,349	13,600	13,656	15,500	14,838	16,500
8,364	9,200	11,778	13,600	14,151	16,500	15,330	17,500
8,637	10,000	12,201	13,600				
8,910	10,000	12,627	14,500				
9,204	10,800						
9,501	10,800						
9,804	11,400						
10,170	11,400						
10,533	12,000						
10,986	12,700						

For each of Scales 3 and 4 and Senior Teacher two levels of allowance are proposed. In general, teachers below the top of scale would be assimilated to the lower allowance and those on the top of scale to the higher allowance.

SCHOOL GROUP	DEPUTY HEADS		HEADS	
	Present Scale Maximum	New Salary	Present Scale Maximum	New Salary
1	—	—	12,195	15,500
2	11,163	14,750	12,675	16,000
3	11,163	14,750	13,203	16,500
4	12,000	15,000	14,175	17,000
5	12,846	15,375	15,243	17,750
6	13,179	15,750	16,236	19,000
7	13,878	16,250	17,148	20,000
8	14,517	17,000	18,273	21,250
9	15,288	18,000	19,587	22,750
10	16,185	19,000	20,766	24,250
11	16,929	19,750	22,332	26,000
12	17,820	20,750	23,700	27,750
13	18,324	21,500	24,903	29,000
14	19,104	22,250	26,259	30,500

New salaries are spot salaries. Heads and deputies would receive them whatever their position on the current salary scales.

#### Teachers' duties

- All teachers will be available, at the reasonable direction of the head teacher, for the 19 duties set out below
  - Individual teachers will not all be called upon to carry out all these duties
  - Teachers' work cannot all be carried out within pupils' timetabled hours
  - Teachers' work need not all be carried out on school premises
  - But a substantial proportion of a teacher's work must be carried out at the direction of the head teacher
  - The teacher time available for work at the direction of the head teacher should be 1,300 hours a year spread over 195 days.
1. Plan, prepare, determine and review as necessary personal teaching methods and work programmes.
  2. Teach and ensure the discipline and safety of assigned timetabled classes and groups, with the different educational needs of pupils in mind.
  3. Set, mark and record pupils' work.
  4. Promote the general progress and welfare of a class or group of pupils, and provide initial guidance or counselling on educational, social and career matters.
  5. Assess and record pupils' personal and social needs, development, progress and attainment; provide or contribute to oral or written assessments and reports on individual pupils and groups.
  6. Contribute to and participate in formal performance appraisal and review, team planning, self-evaluation, in-service training and professional development in assigned areas of the curriculum, and pastoral arrangements.
  7. Advise and co-operate with colleagues on teaching programmes, methods, equipment and materials within assigned areas of the curriculum.
  8. Co-operate with appropriate specialist agencies and other appropriate outside bodies.
  9. Ensure the safety and good order of pupils by carrying out an appropriate share of supervision on pupils' arrival at and departure from school, on dispersal and assembly at the beginning and end of the midday break, whenever pupils are authorised to be on school premises - with the exception of the midday break - and elsewhere when pupils are the responsibility of the school.
  10. Consult and liaise with parents, attending meetings arranged for that purpose.
  11. Participate in staff meetings and activities.
  12. Undertake an appropriate share of the collective staff responsibility to substitute for an absent colleague when required, within limits as agreed.
  13. Carry out an appropriate share of such administrative and organisational tasks as flow naturally from the above duties.
  14. Take part in arrangements for presenting pupils in public examinations, and contribute expertise to the preparation and development of courses of study and teaching materials in response to changes in public examinations and assessment procedures.
  15. Contribute as required to the appointment, induction, professional development and assessment of junior colleagues, including new entrants to teaching.
  16. Co-ordinate the work of other teachers, as required, taking a leading professional role in the review, development and management of assigned curricular, pastoral or organisational activities.
  17. Supervise ancillary staff where designated to do so.
  18. Order and allocate appropriate equipment and materials.
  19. Carry out such other related duties and responsibilities at the school as may reasonably be allocated, as need arises, by the head teacher."

*JP 11/15/86*



UK NEWS

# Lawson sees wage bar to labour mobility

BY HAZEL DUFFY

MR NIGEL LAWSON, the Chancellor of the Exchequer, launched himself into a headlong row with the Trades Union Congress (TUC) yesterday with a statement to the National Economic Development Council (NEDC) which was seen by the trade unions as a major attack on national pay bargaining.

The rift looked like threatening the precarious stability of the NEDC, which is a forum made up of the Government, unions and employers. It is the only occasion on which ministers meet union leaders on a regular basis.

Mr Lawson told the council, of which he is chairman, that national pay scales hindered the free movement of the labour market on a regional basis. The tone of his remarks was that employers might be more interested in moving to depressed regions of the country if they were not tied to pay scales resulting from national pay bargaining.

A bricklayer or a bank clerk or a bureaucrat was paid much the same wherever he or she lived, he said. "Yet local conditions are obviously different."

The TUC saw the statement as further evidence that the Government is determined to break down national pay bargaining, which the trade unions believe constitutes a vital underpinning of wage rates in conditions of high unemployment. Mr Lawson's remarks followed



Nigel Lawson: opposition to national bargaining

on the advice given to local authorities on Tuesday by Mr Nicholas Ridley, Environment Secretary, to the effect that they are in a position to opt out of national pay agreements and pay their staff what they can afford.

The Chancellor's statement, which was unexpected, came at the end of a discussion on a paper presented to the council by Lord Young, Employment Secretary. This suggested ways in which the problem of housing as a barrier to labour mobility could be alleviated.

Although trade union representatives expressed some reservations about the content of the paper, the discussion was described afterwards by Mr John Cassels, director

general of the National Economic Development Office, as "constructive."

Mr Norman Willis, TUC general secretary, had left the meeting when Mr Lawson delivered his statement on pay. But he said afterwards: "The Chancellor's action was not only astonishing, it was an abuse of the NEDC and of his position as chairman. The TUC has sought to be constructive. The Chancellor was deliberately destructive. He kicked common sense in the teeth."

Lord Young's paper had only touched on pay. Regional pay differences may be insufficient (perhaps because of national agreements) to suggest to people that a move to another region might be worthwhile.

Mr Alec Monk, chairman of the Dee Corporation, the foods retailer, and a Confederation of British Industry representative on the council, said that employers sometimes had to pay more to get people to move to unattractive areas.

The paper had also pointed out that, because there are probably relatively few vacancies in any part of the country which could not be filled locally, "it would be wrong to suppose that a higher level of mobility would lead to a major reduction in unemployment though it might have some effect at the margin."

# PWS chief attacks Heath deal as 'unbelievably costly'

BY NICK BUNKER

THE BATTLE for C. E. Heath, the insurance broking group, intensified yesterday as Heath unveiled terms for its agreed merger with Fielding Insurance, another Lloyd's of London broker.

Heath's proposals ran into an instant hail of criticism from Mr Ronnie Ben-Zur, chief executive of PWS Holdings, PWS, also a middle-ranking Lloyd's broker, launched on October 20 a hostile all-paper bid for C. E. Heath.

Heath said its agreed merger would value Fielding at about £1m (\$1.01m). It amounts to a reverse takeover from which Mr Richard Fielding, Fielding's founder and a former joint managing director of Heath, will emerge as chief executive of the combined group.

The deal would involve Heath paying a consideration for Fielding made up of 12.5m new Heath shares, plus £4.5m cash. Fielding has forecast 1986 pre-tax profits of £2m.

That would leave Hambros, the banking group, owing 16.8 per cent of the expanded Heath, after allowing for placing of 3.25m new Heath shares with Hambros investment clients. Hambros owns 81 per cent of Fielding.

The merger is seen as a move to bolster management and staff morale at C.E. Heath, UK's sixth-largest quoted insurance broker. Heath has been hit by staff defections, po-

tentially expensive litigation, and the loss of important workmen's compensation business in Australia.

Mr Ben-Zur condemned the merger terms. They were "unbelievably expensive" and would cause "very substantial earnings dilution" for Heath shareholders. Heath had produced "a great deal of general innuendo against Mr Ben-Zur and PWS not supported by any facts," PWS said.

But Heath published a dismissive defence document against Mr Ben-Zur's offer, which last night valued C.E. Heath at £178m, or 537p a share.

It said that Mr Ben-Zur approached Heath in September and offered to sell PWS - a claim hotly denied yesterday by Mr Ben-Zur.

C.E. Heath said it had found that PWS Holdings was "lacking in experience at handling large US brokerage accounts." There would be "major defections" from Heath if PWS took over, leading to big losses of business. PWS was "not comparable for quality of business or breadth of management" and had a thin market in its shares.

But Heath also reported pre-tax profits down 30 per cent to £11.3m for the six months ending September 30. C.E. Heath's shares closed down 13p last night at 530p. PWS was down 2p at 305p.

Background, Page 30

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756	2756	3756	6556	6856
856	3556	3856	6156	6956
956	3156	3956	6256	7056
1256	3256	4056	6356	7156
1356	3356	4156	6456	7256
1456	3456	4256	6556	7356
1556	3556	4356	6656	7456
1656	3656	4456	6756	7556
1756	3756	4556	6856	7656
1856	3856	4656	6956	7756
1956	3956	4756	7056	7856
2056	4056	4856	7156	7956
2156	4156	4956	7256	8056
2256	4256	5056	7356	8156
2356	4356	5156	7456	8256
2456	4456	5256	7556	8356
2556	4556	5356	7656	8456
2656	4656	5456	7756	8556
2756	4756	5556	7856	8656
2856	4856	5656	7956	8756
2956	4956	5756	8056	8856
3056	5056	5856	8156	8956
3156	5156	5956	8256	9056
3256	5256	6056	8356	9156
3356	5356	6156	8456	9256
3456	5456	6256	8556	9356
3556	5556	6356	8656	9456
3656	5656	6456	8756	9556
3756	5756	6556	8856	9656
3856	5856	6656	8956	9756
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5256	7256	8056	0356	1156
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UK NEWS

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## Dealer bonuses offered to clear Montego stocks

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER, the state-owned cars group, is offering dealers special bonuses of £400 or £500 on the Montego range in order to clear stocks.

The campaign comes at a time when Austin Rover's sales are at a very low ebb - it ended last month with a market share of about 14 per cent behind Ford's 28 per cent and General Motors' 15 per cent. This left the company's market share at 18 per cent for the first 10 months, down from over 18 per cent at the same time last year.

A spokesman yesterday denied that Montego stocks were excessive. "Although we do have some pre-August 1986 models, we don't want to stand around much longer in winter conditions."

When it was launched in April 1984, Austin Rover expected the Montego would capture a substantial part of the UK company fleet market, where it competes with the Ford Sierra and Vauxhall Cavalier,

and that annual sales would reach 120,000.

However, early quality problems - which Austin Rover claims have now been solved - disappointed the fleets, and Montego sales totalled about 74,000 last year. By the end of September this year they were down again, from 61,500 to 53,500, and the Montego's share of the total market had declined from 4.09 to 3.47 per cent.

The company has told dealers that, now the less expensive versions of the new executive Rover are being built in bigger numbers, it wants to put more potential customers behind the wheel by having Rover 820 and Rover 826i models widely available for test drives.

● Avis' UK car rental organisation has placed its first major order with Austin Rover - for 2,500 cars with a showroom value of £12.5m.

Austin Rover says negotiations are going on with Avis Europe, which buys most of its cars from Ford.

## Co-op Bank will pay interest on Visa credit card accounts

BY DAVID LASCELLES, BANKING CORRESPONDENT

THE CO-OPERATIVE Bank is to pay interest to holders of its Visa credit card who keep positive balances in their accounts. The Co-op claimed yesterday to be the first European bank to offer this return.

From December 1 Co-op Visa cardholders will be able to pay in additional sums with their monthly payments. They will receive interest at the rate of 10.00 per cent gross.

Mr Terry Thomas, executive director of the Co-op, said the scheme

would enable cardholders both to save and manage their money better. But it was aimed mainly at people's cash flow rather than their savings.

The rate paid by the Co-op is close to that offered by banks on their high-interest savings accounts. However, cardholders who keep their accounts in the black will lose up to 30 days' free credit size purchases will be debited immediately. Normally, the card companies only charge interest on outstanding

balances after the monthly payment date has passed.

A spokesman for Barclaycard, which runs Barclaycard, the Co-op main competitor in the Visa organisation, said the bank had studied the possibility of offering interest but had rejected it.

● A national network of petrol pumps that can be triggered by credit cards was announced by Barclaycard. Up to 130 Shell service stations will have the "pinpoint" system installed by early next year.

## Decision on BAe funds call 'early next year'

BY IVOR OWEN

BRITISH AIRSPACE (BAe), the aircraft, missiles and space group, will have to wait until the first quarter of next year to know the outcome of its application for up to £750m launch-aid to enable it to participate in the next generation of Airbus, the A-330 and A-340, Mr Geoffrey Patne, Minister for Information Technology, told the House of Commons yesterday. He said a detailed appraisal of

the application received by the Department of Trade and Industry on October 20 had been set in hand. Mr Geoffrey Robinson, a Labour spokesman on trade and industry matters, urged that the application should be determined "irrespective" of any collaboration with McDonnell Douglas, the US company.

He suggested that BAe was expecting a decision before the end of the year.

## Grand Met names new chief executive

By Lisa Wood

GRAND METROPOLITAN, the brewing, hotels and leisure group, yesterday announced the appointment of Mr Allen Sheppard as group chief executive.

Mr Sheppard, who joined Grand Metropolitan in 1975 after 15 years in the motor industry, has been group managing director of Grand Metropolitan since 1982 with responsibility for the group's UK activities, which include Watney Mann & Truman and Express Foods.

Sir Stanley Gristead, who has combined the roles of chief executive and chairman since the death of Sir Maxwell Joseph in 1982, will continue to be full-time chairman. Sir Stanley is due to retire within the next three years.

Mr Sheppard, whose appointment comes after months of speculation in the City of London, said yesterday his task was to improve the financial performance of Grand Metropolitan and to communicate more clearly strategy that Grand Metropolitan was pursuing.

In addition to Mr Sheppard's appointment the group announced that Mr Anthony Tennant, the other major candidate for the chief executive with responsibility for all Grand Metropolitan's drink interests. Previously Mr Tennant had been responsible for IDV, the wine and spirits division and InterContinental, the hotel division.

Further changes in management responsibilities include Mr Clive Struwer, chairman and chief executive of Express Foods, taking responsibility for the contract services division, which includes Gardner Merchant, the contract catering company.

Institutional investors in the City yesterday waited to be convinced that the new appointment was a significant move. However, Mr John Dunsmore, of Wood Mackenzie, the Edinburgh-based stockbrokers, said: "This is a key move in the change of emphasis at Grand Metropolitan from it being a strategically led organisation to one which will increasingly concentrate on the operational management of its businesses."

He said it could lead to a re-rating of Grand Metropolitan on the stock exchange as long as the significance could be communicated by Grand Metropolitan.

Grand Metropolitan's share price has performed well since September due to bid rumours for the group after Trafalgar Holdings, the US investment company, confirmed it had bought a holding in Grand Metropolitan.

Mr Sheppard, a graduate of the London School of Economics who worked at Ford, Chrysler and British Leyland, has a strong management record and has commanded widespread loyalty from his senior staff in his development of Grand Metropolitan's core UK businesses, which have shown good profit growth at a time of relatively flat sector performance.

## Call for revival of aviation fund rejected

By Lynton McLain

THE GOVERNMENT has dismissed a recommendation by the House of Commons transport committee for the re-establishment of an aviation security fund.

The recommendation was made by the committee in its report on airport security published yesterday, but Mr Michael Spicer, the parliamentary under-secretary of state for transport, said in response that "the Government was not in favour of a fund." He agreed that airline passengers should pay towards security.

The transport committee said that, although airports and airlines had requested that the original aviation security fund be wound up, it was of the opinion that many were "far from happy with the consequences." The committee recommended that an aviation security fund should be paid for by a levy on passengers. This should be clearly itemised in the ticket price.

"Some of the larger airports - and especially the BAA (the former British Airports Authority) - may have benefited financially from running their own operations, but security as a whole has not," the committee said.

The abolition of the fund in 1983 "encouraged the splintering of security operations away from each other, so that too frequently the priority of security operators is to circumscribe as tightly as possible the limits of their own responsibility rather than look to the needs of the whole system."

The committee supported the assertion by the British Airline Pilots' Association that the whole network of airports and routes had to be considered as a single system whose security was only as strong as its weakest point.

The Government also rejected the recommendation by the committee for a separate aviation security inspectorate. Mr Spicer had told the committee that a small number of additional aviation security advisers were to be recruited. The committee said this was "woefully inadequate."

The committee wanted airport security inspectors to have similar powers to government factory inspectors, with powers to close down all or part of any airport operation, if it did not comply with directions from the transport department. House of Commons paper 597, fourth report from the transport committee session 1985-86, Airport Security, HMSO £3.10 net.

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## Profit margins at Glaxo 'top in drugs sector'

BY TONY JACKSON

GLAXO, the UK pharmaceutical group, made the highest profit margins of any of the world's big drug companies last year. It also produced the largest percentage increase in sales.

Chemical Insight, a UK-published newsletter, says that Glaxo's return on sales, at 43.6 per cent, was well clear of the next contender, Johnson & Johnson of the US, with 32 per cent.

Over 40 per cent of Glaxo's sales consist of one product, the anti-ulcer drug ranitidine, now claimed to be the biggest-selling prescription drug in the world. Profit margins on high-volume drugs are commonly high, since the marginal cost of extra production is very low.

The rapid progress made by ranitidine in world markets also accounted for most of Glaxo's 25.6 per cent increase in sales. The next highest sales growth came from another UK company, Wellcome.

For the first time, Glaxo ranked among the world's top drug companies by size, coming ninth with turnover expressed in dollars of \$2.17m. Number one was the US

### Top drug companies by profit margin, 1985

Company	per cent
Glaxo (UK)	43.6
Johnson & Johnson (US)	32.0
EL Lilly (US)	31.4
Pfizer (US)	31.4
Schering-Plough (US)	29.5
American Home Prod (US)	29.3
KCS (UK)	28.9
Abbott (US)	28.9
Warner-Lambert (US)	28.9

Source: Chemical Insight

Group American Home Products, with sales of \$3.17m.

The study, covering the 50 biggest drug companies in the world, says the highest return on assets, at 83 per cent, was achieved by Upjohn of the US.

UK companies did not figure among the top 10 big spenders on research and development (R&D), measured as a percentage of sales. Six of the top 10 were from continental Europe, the rest from the US. The top spender was Merck, whose R&D was equivalent to 19.1 per cent of turnover last year.

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# UK NEWS

Anthony Moreton focuses on South Wales and south-west England

## Heartland still losing lifeblood of jobs

GRAVE economic problems continue to beset industrial South Wales, the manufacturing heart of the principality, according to the Government's Regional Development Programme, 1986-90, submitted to the EEC.

Wales as a whole has the lowest rate of overall economic activity in Britain, being only exceeded in the UK by Northern Ireland. Furthermore, that low level of activity is expected to continue for the foreseeable future.

Unemployment rates in Wales - 21.1 per cent in south-west Wales for instance - have been well above those in the rest of Britain for a long time and are now, according to the report, "very high and higher than in any UK region other than Northern Ireland and the north of England."

Within Wales' unemployment rates vary depending on the seasons - tourism is a big industry in parts of the country, especially around the north and west coasts - and local conditions. Rates over 20 per cent are so common that they occur in about a third of the employment areas. Men fare worse than women almost everywhere.

The gloomy forecast for the country is that total unemployment could be at least 171,000 in 1990 with further job losses especially severe in South Wales among traditional employers such as the coal industry.



The scale of the problem is vast, especially with the need to reverse depopulation trends. Consequently, diversification and expansion continue to need to be encouraged, not just to provide jobs for those who have lost them but also to counter this depopulation, which is expected to amount to 0.8 per cent in South Wales alone between 1984 and 1991.

Considerable improvements to infrastructure are needed, and a major task remains to be developed and renewed efficiently. Heavy investment will be needed if the economic decline is to be reversed.

However, substantial possibilities for growth and diversification exist in South Wales. Progress is being

	EMPLOYERS		
	1977	1981	% change
Agriculture, forestry & fishing	5.2	4.3	-8
Mining and quarrying	37.6	32.0	-15
Metal manufacture	64.2	32.0	-50
Engineering & allied industries	82.4	72.5	-12
All other manufacturing	45.2	26.9	-41
Construction	12.0	12.3	+2
Gas, electricity and water	369.2	373.5	+1
Service industries	712.5	443.8	-10
All employees in employment			

made in some sectors of manufacturing to offset the structural changes taking place among steel, coal and other traditional employers such as metal forming, mechanical engineering and clothing and footwear.

Jobs have been created in electronics and the service sector through growth trends to be sluggish and geographically uneven. The provision of work in traditional mining valleys is particularly difficult. In addition, the pace of job creation has not been able to match needs.

The other main industrialised part of Wales, in the north-east, has suffered from closures in the steel industry. Many workers managed to find other work - there has been

a substantial increase in the service sector and a smaller but proportionately large rise in engineering - but the situation remains difficult.

The position in north-east Wales is aggravated by its being on the periphery of a depressed English region: this adds to the severe problems caused by the decline of its own staple industries. Problems in North Wales are in particular a narrow and weak employment base and allied lack of employment opportunities; an inadequate infrastructure; and social difficulties associated with the industrial heritage which exacerbate the difficulty in attracting inward investment.

Basic industries, which comprise a few large manufacturing plants, no longer dominate the economy.

There is now a much more diversified, and inherently more stable, manufacturing sector. The 20 largest plants account for half the manufacturing jobs, but they are engaged in a wide range of activities and include many built within the last 20 years.

South-west Wales continues to need inward investment, especially industrial projects, expansion of small companies, greater innovative activity, growth of existing commercial and economic centres, expansion of the tourist industry and improved labour skills. Additional employment opportunities must be created.

In south-west England, which comprises most of Devon and Cornwall, the magnitude of the task is described as "considerable." There are grounds for successful exploitation of its potential, but this will require investment in additional infrastructure.

The most obvious need is for serviced industrial land. The high cost of land acquisition and subsequent services have made investment by local authorities essential. Efforts to diversify job opportunities have had some success, and much of the need for further diversification will have to be met by new, mobile industry not concerned about the area's peripheral location. Improved communications offer some grounds for optimism about future economic development.

## British Coal expects to lose about £300m

BY MAURICE SAMUELSON

BRITISH COAL expects to lose about £300m in the present financial year, six times as much as last year, because of falling world oil prices, Sir Robert Haslam, its new chairman, told MPs yesterday.

Appearing before the House of Commons Select Committee for Energy, which is conducting a major study of the coal industry, he said that only two of its nine production areas had made a profit between April and September, when operating losses for the industry as a whole totalled £340m.

Sir Robert, who succeeded Sir Ian MacGregor as chairman on September 1, said its acceptance of a revenue cut of £400m in its annual sales to the electricity industry and other big customers was "rather like falling off a precipice."

As a result, it had put back its target of breaking even by a year to the end of 1988-89, which still presented "a pretty formidable target."

Nevertheless, rapid improvements in efficiency caused by the severe restructuring of the past two years were starting to show through. Productivity records had been smashed in six out of the seven last weeks, and in October as a whole productivity was about 22 per cent up on the same period last year.

"At that rate, there is no reason

why we should not break even and make the industry viable," he said.

Recalling his accession to the chairmanship of British Steel three years ago, Sir Robert said it had "come out into the light" even though its situation was more tragic than the one he inherited at the coal industry.

He also predicted that by the middle of next year the coal industry should be in "rather calmer waters." In the present financial year, the industry has closed 12 pits and merged 10 more, leaving it with 110 collieries. But this rate would not continue.

The slower pace of change would also coincide with the ending of the generous Government-funded Redundant Mineworkers' Payments Scheme and the introduction of less generous redundancy terms funded directly by British Coal.

British Coal yesterday won permission to develop Western Europe's biggest open-cast coal development in the Douglas Valley, Lanarkshire, central Scotland, which contains reserves of 40m tonnes. The decision, which will help to create 200 jobs in an unemployment blackspot, will provide some 10m tonnes of coal to be shipped to Northern Ireland power stations over the next 20 years.

## Judge quashes library ban on Murdoch papers

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THREE Labour-controlled London borough councils acted unlawfully when they banned The Times and other News International publications from public libraries, the High Court ruled yesterday.

The court quashed the decisions of Camden, Islington and Fulham and Hammersmith councils to impose the ban as a gesture of support for print workers who lost their jobs when Mr Rupert Murdoch moved his centre of operations to Wapping, east London.

Lord Justice Watkins said that the ban, affecting The Times, Sunday Times, the Times Literary Supplement, the Sun and the News of the World, had one purpose only, set by a political attitude in a "so-called workers' struggle against a tyrannical employer": to punish the employer.

The councils had acted against the "impeccably correct" advice of their officials, and it could not be other than alarming to all sensible and right-minded people to see such irresponsible behaviour by persons elected to serve their interest according to clearly stated law, the judge said.

There could hardly, he added, be a clearer manifestation of an abuse of power.

More than 30 other Labour councils imposed similar bans. Some have since withdrawn them; others face court actions by News International.

The court yesterday upheld News International's contention that the three councils had abused their powers under the 1964 Public Libraries and Museums Act and breached their duty to provide a comprehensive and efficient library service.

It was the first case under the act, and Mr Anthony Lester, QC, for News International, had said that it involved a constitutional issue: freedom of expression and the right to receive information and ideas without arbitrary interference.

The councils had denied that the ban was inconsistent with their statutory duties, arguing that their discretion as to what to provide in libraries entitled them to have regard to the conduct of a publisher of newspaper, books and other reading material, even though political affiliation played a significant part in the view they formed.

## Dublin courts call fails

BY HUGH CARNEGIE

IRELAND'S main proposal for reforming Northern Ireland's one-judge, non-jury courts, one of its chief concerns under the Anglo-Irish agreement, has been turned down in a letter from Mrs Margaret Thatcher, the British Prime Minister, to Dr Garret FitzGerald, the Irish Prime Minister.

The Irish Government has pushed through the Anglo-Irish conference for the so-called "Diplock courts," which try terrorist cases, to be presided over by three judges - a system used in Ireland's special criminal courts.

Dublin regarded the proposal as a key element in promoting greater confidence in the north's judicial system among the nationalist minority. Many nationalists regard the Diplock courts as summary

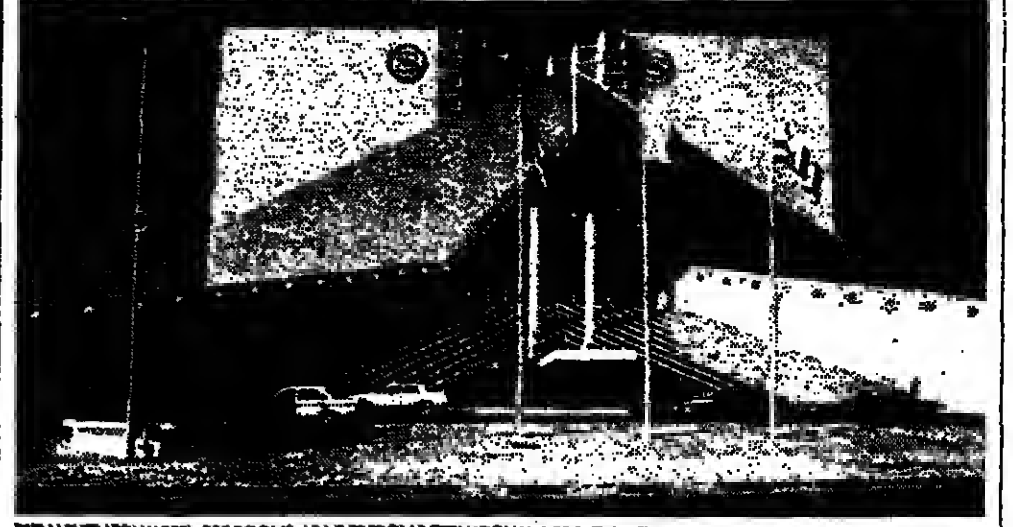
courts and saw moves to reform them as an important test of the London-Dublin accord.

The Irish suggestion was never popular on the British side, however. The judiciary, led by Lord Hailsham, the Lord Chancellor, was known to be against it.

Objections ranged from worries that to introduce the change would involve an implicit acceptance that the present system was flawed to practical concerns over the difficulty of finding enough qualified judges in Northern Ireland to operate three-judge courts efficiently.

British government sources said Mrs Thatcher had outlined these reasons in a letter to Dr FitzGerald. The fact that the rejection was handed at the top level is an indication of the sensitivity of the issue.

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UK NEWS

# Stock Exchange drive to clear deals backlog

BY ALAN CAINE

SETTLEMENT STAFF from every broker/dealer member of the London Stock Exchange have been ordered to work a full day this coming Saturday to help clear up the backlog of uncleared bargains. After Big Bang last week the number is still hovering around 25,000. A letter went out from the stock exchange to all member firms yesterday demanding that they turn out this weekend. It allows no exceptions. Even firms with as few as 10 uncleared bargains have been told they must report for duty. While the exchange's settlement computers have functioned well, problems and misunderstandings in member firms coupled with a high trading volume have created a potentially dangerous situation. There are fears of chaos if the back-

log is not reduced before the massive British Gas flotation later this month. Some slight progress was made on Tuesday night in reducing the outstanding number of unmatched trade reports; pairs of reports for a single bargain which differ in significant details are therefore rejected by the exchange's settlement computers. Mr Michael Baker, head of settlement services, said yesterday there was "blue sky on the horizon - but only on the horizon." The matching rate had been improved from 75 per cent to 80 per cent compared with 93 per cent before Big Bang. The backlog had been cut by a few thousand, and the number of unmatched reports had been held to under 60,000.

The names of 14 large firms responsible for most of the unmatched reports had been read out in strict confidence at Tuesday's council meeting. Mr Baker made it clear that the firms were not wholly to blame. The exchange's information services department now seems to be well on top of the problems which crippled the Topic Seq price display services in the first three days of trading after Big Bang. The Seq service has now performed faultlessly for five working days. Gifts prices have been restored already, and exchange staff hope that all external information services - including Nasdaq prices, the cause of the second major failure - will be restored within two weeks.

# Consumer electronics sales surge

BY DAVID THOMAS

SALES of consumer electronics products boomed in the UK during the second quarter of the year, the British Radio and Electronic Equipment Manufacturers' Association said. However, the association is worried that overall economic trends, such as increasing inflation, might

mean that the boom will lose its momentum next year. Sales of video recorders and compact disc players were particularly strong although the growth in volume was not matched by a growth in value, thanks to competitive pricing. Deliveries of video recorders rose

to 620,000 in the second quarter, up 69 per cent on the same period of last year. Sales of compact disc players almost quadrupled to 88,000. Deliveries of colour televisions in the second quarter were 785,000, up 27 per cent on the same time last year. But much of the growth was taken by imports.

# The acceptable and expert face of Labour in the City

MR BRYAN GOULD is one of those politicians widely respected within the world of Westminster, but scarcely known outside. But this could now change. His promotion to the post of Labour Party campaign co-ordinator and deputy to Mr Roy Hattersley, the party's Treasury spokesman, is the most significant of the Shadow Cabinet changes announced on Monday. He now has a position of potentially considerable influence over both Labour's pre-election campaigning and economic policy. Until now he has been best known as the party's trade spokesman, especially over the Financial Services Bill. In this post he has been the acceptable face of Labour in the City of London.

## Peter Riddell assesses the influence of Bryan Gould after his appointment to the Shadow Cabinet

He has almost single-handedly carried Labour's security of the City of London, and by adopting a constructive rather than confrontational approach he succeeded in not only winning respect for his insights into the City revolution but also support of Tory MPs in engineering cross-party deals on the Government. Few Labour MPs understand much of what Mr Gould has been saying about the City, but they acknowledge his expertise and effectiveness. Yet Mr Gould is not easy to classify politically. He is a close friend and supporter of Mr Peter Shore (having served as his parliamentary private secretary for 16 months) but disagrees with him on defence and is generally to the left of him on policy. Mr Gould has made no secret of his dislike for the hard left, rejoicing in the reputation by the leadership of the party of class-based quasi-revolutionary politics and vandalism. In a tightly argued book Socialism and Freedom published last year he offered a philosophical underpinning, emphasising the inseparability of freedom and social and economic equality. He is unrepentant about the EEC, feeling that his doubts have been vindicated. Britain, he says, should pursue policies which it believes are necessary. Europe should be taken "a la carte". He remains cool to the EMS since he believes entry will necessarily mean propping up the pound at an anti-competitive rate. This contrasts with the recent shift by Mr Hattersley towards a significantly less hostile attitude, though they are, Mr Gould says, still "on the same page."

Mr Gould retains his belief in a competitive pound. He does not believe in a particular target but argues that policy should be aimed at a reasonable rate of economic growth with the exchange rate acting as a market clearing mechanism to balance trade. He argues that the inflationary effects of a lower pound are less than commonly claimed. He sees the main economic role will be to shadow public expenditure and the Chief Secretary, Mr John MacGregor, as well as providing a strong reinforcement for what has been seen by Labour MPs as a lacklustre Treasury team. This post will give him Commons exposure which the behind-the-scenes job of campaign co-ordinator does not have. Mr Gould hopes to be involved not just in party organisation ahead of the election but also "up front," using his television experience. Mr Gould still remembers his skilful questioning of Mr Francis Pym, during a 1979 television debate. He could become one of Labour's public advocates on the issues of the day. No one should underestimate Mr Gould's ambition or formidable talents. What he has to show is whether he has the political toughness and broader party base to establish himself as a leading figure.

After being elected to the House of Commons in October 1974, he first became known for his strong opposition to Britain's membership of the EEC. Then, during the 1978 sterling crisis, he decided he had to get to the bottom of what was going on and infuriated Mr Denis Healey, then Chancellor of the Exchequer, with his "devaluationist views" at a particularly sensitive time. Over the following 2½ years he developed his attack on monetarism. In January 1979 Mr Gould argued that it was time that "a Labour Chancellor and Cabinet had the courage and intellectual self-confidence to tell the governor of the Bank of England to mind his own business and that policy will henceforth be made in the interests of the real economy." No one has ever doubted Mr Gould's intellectual self-confidence. After electoral defeat in 1979 he spent a period working as a television journalist and pouring out pamphlets and a book on the economy. Mr Gould returned to the Com-

# Women's earnings rise more steeply than men's

BY DAVID BRINDLE, LABOUR CORRESPONDENT

AVERAGE gross weekly earnings of adult workers rose 6 per cent in the year to April, according to the first summary results of the Government's New Earnings Survey for 1986. The figure for average male manual earnings, the calculation often used to express the average wage in the UK, is put at £174.40 - up 6.8 per cent on the 1985 figure of £163.60. Non-manual workers fared significantly better, according to the results published yesterday. In the case of both men (average £244.90) and women (average £145.70) the increase on last year was 8.6 per cent. Overall, however, women's earnings rose more steeply: the 8.6 per cent rise to an average £171.20 for females in all occupations compared with a 7.9 per cent increase to an average £207.50 for all men. The results have been released in summary form ahead of publication of the New Earnings Survey itself. The survey has been delayed by what the Employment Department calls computer problems. The New Earnings Survey figure used in calculation of the firefighters' index-linked pay rise has risen 7.1 per cent since 1985, indicating another higher-than-average settlement after 7.2 per cent deals in both 1984 and 1985. The calculation for the upper quartile or top 25 per cent of male manual workers, shows a figure of £206.50, up £13.70 on last year's £192.80. This will be taken into account along with a separate survey of firefighters' earnings and with figures for earnings movements in the economy as a whole since April. Settlement of the firefighters' pay deal has been held up by the lateness of the New Earnings Survey figures, the increase being due for payment from tomorrow.

# 'Stretch' order for Clyde

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SCOTT LITHGOW, the Lower Clyde shipyard which belongs to Trafalgar House, has been awarded the contract to "stretch" the Atlantic Conveyor, the container ship built in 1984 to replace the ship of the same name destroyed in the 1982 Falklands war. Trafalgar House, which bought Scott Lithgow in 1984, will in effect subsidise the contract, believed to be worth £12m. Hyundai, the Korean shipbuilders, offered to carry out the work for £8m. The contract will give a badly needed boost to Scott Lithgow, which has been trying with little success to build up a business in the offshore platform construction. It is still working on a platform for British Petroleum, the independent oil company, which should have been completed last May. The ship, which displaces 34,000 tonnes, is to be cut in two and have a 42-metre extra section inserted. This will increase the ship's capacity and make it more economic

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Geoffrey Charlish explains why UK firms are demonstrating automated manufacturing

# A meeting of automated minds

DOZENS OF Britain's best advanced manufacturing technologists are burning the midnight oil on a mock-up factory floor in Basingstoke, UK, preparing the biggest working demonstration of computer integrated manufacturing (CIM) the world has yet seen.

They have a fortnight to iron out the problems before the 15 demonstration manufacturing cells are put on lorries and taken to the National Exhibition Centre in Birmingham, ready for the December 1 opening of a big technical arena, 50-company demonstration sponsored by the Department of Trade and Industry.

The event, called CIMAP, is a unique opportunity, unlikely to be repeated in the UK, for manufacturers to come to terms with computer-based methods which, within a decade, will have become the norm. At Birmingham, the benefits in terms of product quality, time to market, manufacturing flexibility, free choice of supplier and reduced capital running costs for automation projects will all be driven home. So too, will be the need for Europe, particularly the UK, to embrace the technology in order to stay in the global world race for market share.

The demonstration cells will show quite clearly that CIM is not a flight of fancy from the The event is unlikely to be repeated in the UK. But it is an opportunity for manufacturers to come to terms with CIM methods

world of computers. The technology exists now, and if the organisers and 50 participants succeed, will be seen "live" at the NEC.

The cells cover many computer-based manufacturing possibilities from flexible assembly by robot to automatic machining and inspection. They will use a MAP communications network to allow equipment from different manufacturers within each cell to communicate and make products automatically.

MAP stands for "manufacturing automation protocol", a world-wide initiative led by General Motors of the US aimed at "persuading" automation

equipment makers to use international communications standards. MAP arose because GM found itself some years ago with many different computerised systems unable to "talk" to each other in order to achieve automatic production. The corporation started over a year ago that it will now not buy from companies that fail to observe the standards.

TOP (technical office protocol), a similar initiative by Boeing for technical design offices, will be available on a second network at CIMAP and will be used by seven of the cells. MAP and TOP will interwork.

On the grounds of the 15 demonstrations alone, a visit to CIMAP will be difficult for automation engineers to resist, particularly because in many cases, visitors will be able to order or design parts on terminals and see them made.

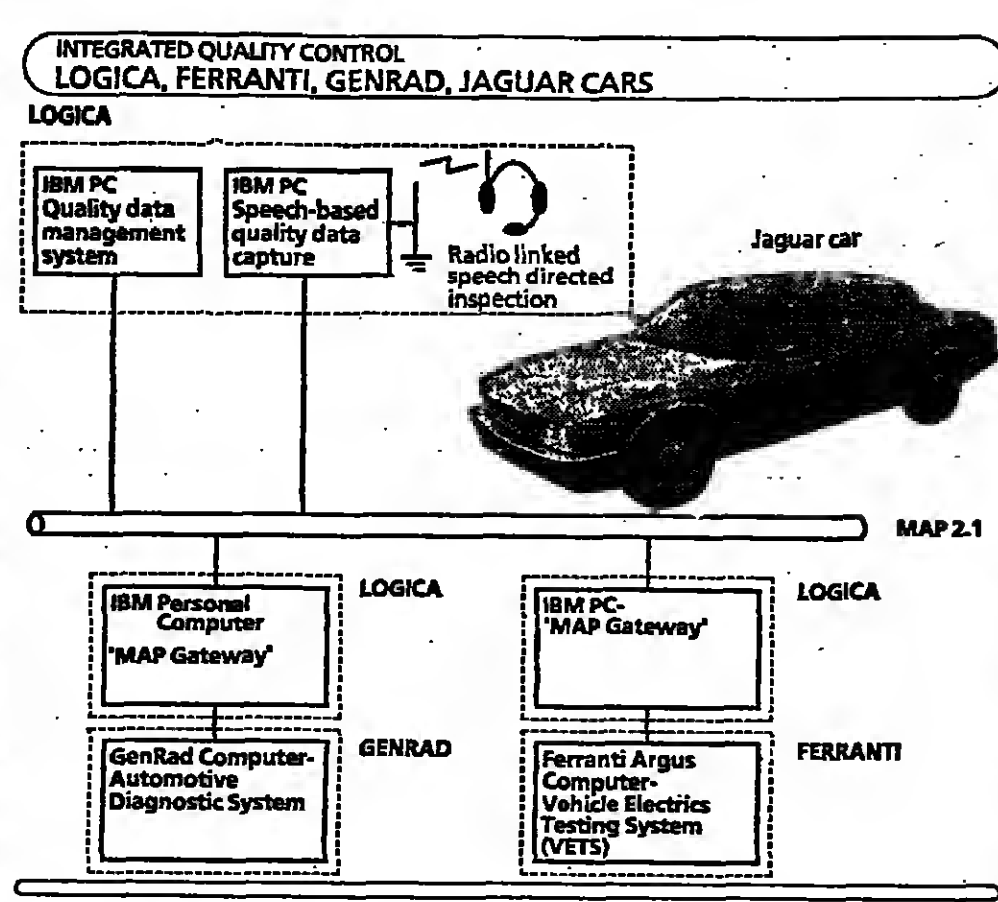
However, automation engineers often are not the ones that need convincing about CIM. So Copern and Lybrand Associates, the UK consultancy group managing the CIMAP project for the DTI, is trying to ensure that senior general management will be encouraged to go along confident they will understand in language they can understand.

Information will be presented at various levels and the visitor can choose from four conference options, all of which include an initial audio-visual session that spells out the basic principles, together with a tour of the demonstrations.

Option one is aimed at the non-technical manager (£150), option two at technical/production directors and managers (£150), option three at practising engineers (two days, £700) and option four at senior executives (£250).

There is great confidence at the Basingstoke pre-staging centre that most of the cells will be up and running in time. But neither IBM nor DEC, arch-enemies in the market-share war for industrial computer sales, had appeared on site by the end of October. Last week, however, they jointly announced that they would still be playing each other at chess as originally announced, a robot between their cells making the moves.

More details about CIMAP by ringing 01-773 3661 in London.



## SOME OF THE CIM DEMONSTRATIONS

**DESIGN AND MANUFACTURE:** Deltacan (CAD/CAM), Sm Microsystems (terminals), British Telecom, Dean Smith and Grace (machine tools), Keeling Metrology and British Aerospace. Will show how MAP and TOP might be implemented in a subcontract machining company. The company could receive data from customers on a CAD terminal, improve it for ease of manufacture, and then send it to the tooling design office to create machining data for the product or tool to be made.

**DESIGN, MACHINE, TRANSFER AND MEASURE:** LK Tool Company (measurements), Cincinnati Milacron (robot), Deekel (milling machine) and Computer-vision (computer aided

design). CAD/CAM data on TOP will go to MAP via a router and then to the machine tool for manufacture. The robot transfers the part to a cleaning station and then to the measuring machine.

**INTEGRATED QUALITY CONTROL:** Logica (software/systems), Ferranti (electrical test), Genrad (car diagnostics), Jaguar Cars. A demonstration of speech-based quality data capture in a car factory and its accumulation for analysis and presentation centrally, with feedback to production locations.

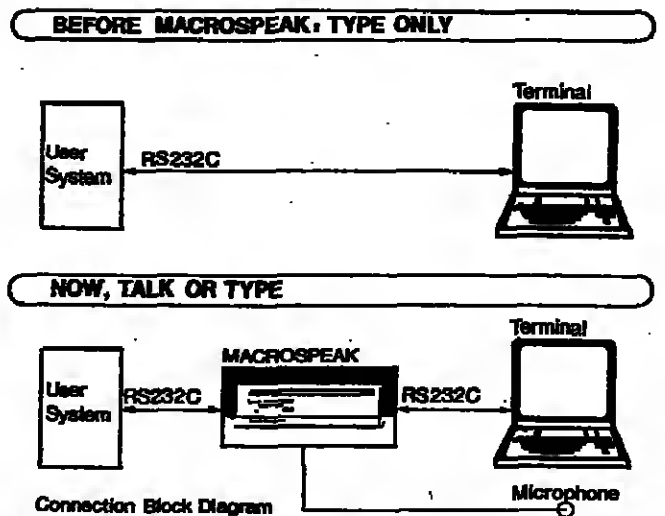
**CARRIER BAND CONTROL OF ASSEMBLY:** Allen Bradley (controllers), Dexion (storage systems and handling). Table mats will be made by automatic plucking

of parts from a storage unit based on orders placed on a terminal. Parts go by conveyor to a Scara robot for assembly and are then inspected by a vision system. The demonstration uses only a segment of the MAP capacity ("carrier band") for reduced cost but "real time" control.

**DISSEMBLY:** Honeywell, Cummins and others. Administrative functions like order input/processing, office automation and control of manufacturing processes are dealt with over MAP and TOP.

**OTHER CELLS** will demonstrate how the MAP/TOP network is managed, and how it can be used for other purposes such as factory security systems involving speech and vision signals.

# Understanding human speech



MARCONI SPACE and Defence Systems has launched a £4,900 electronic speech recognition system called Macrospeak, able to recognise and display up to 180 words in connected groups or phrases (or 640 words in an enhanced version).

Macrospeak owes much to Marconi's existing SR-128 system which was developed four years ago mainly for military applications. It costs about £10,000 and has a vocabulary of 240 words. SR-128 has already been put into use in flight control systems at the Royal Aircraft Establishment in the UK, where pilots have uttered commands to aircraft rather than press buttons or operate switches.

A much wider market is opened up by Macrospeak at under half the price of the SR-128. It is inserted in the normal RS-232C data link that connects visual display unit to main computer in large and small-scale computing systems. Then, instead of the terminal users keying in data, it can be spoken into a microphone as well, giving them two means of input and speeding the work up.

There are many applications where work can be simplified or speeded up using speech input, particularly in industry where the user's hands need to be kept free. Among Marconi's potential customers is the UK Post Office, whose Research Centre of Swindon for example, has used the SR-128 to allow a parcel sorter to speak destinations into sorting machinery as each

parcel passes his position. The Centre is looking at Macrospeak for possible wider use.

At the Royal Navy's hydrographic department in Taunton, Somerset, Macrospeak is under evaluation for map digitisation, a necessary pre-requisite for storing maps in computer memories. It is proving much simpler to speak town names and other map features rather than key them in.

Macrospeak uses "template matching" techniques to match each word it hears to a stored recollection (template) of the same sound. The system must be trained for each user by typing the words involved and speaking them into a microphone.

Macroni has kept the cost of Macrospeak down by implementing the algorithms (complex mathematical relationships) on a pair of custom "chips".

Macroni is far from alone in the race to offer "word perfect" low cost continuous speech recognisers, since a machine would replace the typewriter keyboard in office automation systems. For example, Plessey is heading a £14m Alvey Directorate project which plans to go well beyond template matching and into intelligent knowledge based systems (IKBS).

IBM researchers, needless to say, are pursuing "spoken typing" and are known to be able to transcribe sentences from a 5,000 word vocabulary with 95 per cent accuracy using a model AT personal computer.

Geoffrey Charlish

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# Microfilm machine

KODAK HAS launched a new computer-output-on-microfilm (COM) machine which takes care of all aspects of COM work in a computer room, including duplication of copies from the original.

In COM, the text and data output of mainframe computers is "written" at high speed on to microfilm for low volume, low cost storage or for data distribution to users.

The new Kodak machine, Komstar IV, can operate virtually unattended by operators and uses dry film so that no wet chemicals and wet replacement are needed.

Designed basically for on-line working to IBM and IBM-compatible mainframe computers, the machine can also work off-line with most other mainframes. It offers two microfilm formats: A6 microfiche (a postcard-sized piece of film with many pages of data in rows and columns, ideal for data distribution to users with readers) or 16mm film, which is more suitable for centralised systems.

# Offshore Communications

BY MAY next year British Petroleum will have a £1.5m microwave radio communications systems to link its new southern North Sea gas platform with the mainland.

Five offshore platforms will be connected to BP's new radio and control station at Dillington on Humberside.

The system is being designed by British Telecom which marks that organisation's entry into the microwave network business. British Telecom is, for the first time, building the equipment at its workshops in North London. Traditionally, Marconi has been a major supplier to the offshore industry.

Most oil and gas platforms use either microwave or satellite communications links depending on their distance from the mainland.

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The usual non-resident shareholders tax at 15% will be deducted where applicable. The net amount payable to each shareholder will be £0.85 per share. Copies of the Interim Statement and Dividend Certificate will be available at the office of the Registrar of Companies, 5 Greenway Place, London SW1P 1PL.

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BUSINESS LAW

Limping towards European Union

THE RATIFICATION of the treaty expanding the scope of the European Economic Community, changing the distribution of its powers in favour of the Commission and providing a legal basis for transforming the EEC into a political union was passed by the House of Lords on Tuesday and will receive the Royal Assent tomorrow.

It is a pity that the true meaning of this momentous step has not been revealed more frankly. Even Lord Denning was lured to the front gate, to defend the longest sovereignty, while the thieves were stealing washing in the back yard; how can one expect lesser mortals to glean the truth from the extraordinary obscurity of the documents placed before Parliament?

The process of disinformation started by calling this new European treaty a "Single Act" a name allegedly charged with poetic

significance which, however, escapes me. The ratification instrument, entitled European Communities (Amendment) Bill, makes matters even worse. The explanatory memorandum attached to it was misleading on the main point of European Union when it said that the Bill did not provide for those parts of the Single European Act which relate to co-operation in the sphere of foreign policy.

Though the Bill excludes Title III of the Single Act providing for the mechanics of European co-operation in the sphere of foreign policy, it provides ratification for the preamble and the common provisions of Title I which obliges the institutions of the European Communities and bodies responsible for European Political Co-operation to exercise their powers and jurisdiction under the conditions and for the purposes laid down in Title III of

the Act and in the 1983 Solemn Declaration on European Union. Title III provides that the external policies of the Community and of European Political Co-operation—the name given to the embryo European Union—must be consistent. The Commission will have responsibility for ensuring this in its sphere. There will be many institutional links. However, these provisions may not be of immediate practical impact. It is the expansion of the economic tasks of the Community, foreseen in the Single Act, which is likely to have an impact within the near future. This concerns a number of measures usually lumped under the heading "internal market." The new

Article 8A inserted into the EEC Treaty provides: "The Community shall adopt measures with the aim of progressively establishing the internal market over a period expiring on December 31 1992, in accordance with the provisions of this Article and of Articles 8B, 8C, 8D, 8E, 8F, 8G, 8H, 8I, 8J, 8K, 8L, 8M, 8N, 8O, 8P, 8Q, 8R, 8S, 8T, 8U, 8V, 8W, 8X, 8Y, 8Z, 8AA, 8AB, 8AC, 8AD, 8AE, 8AF, 8AG, 8AH, 8AI, 8AJ, 8AK, 8AL, 8AM, 8AN, 8AO, 8AP, 8AQ, 8AR, 8AS, 8AT, 8AU, 8AV, 8AW, 8AX, 8AY, 8AZ, 8BA, 8BB, 8BC, 8BD, 8BE, 8BF, 8BG, 8BH, 8BI, 8BJ, 8BK, 8BL, 8BM, 8BN, 8BO, 8BP, 8BQ, 8BR, 8BS, 8BT, 8BU, 8BV, 8BW, 8BX, 8BY, 8BZ, 8CA, 8CB, 8CC, 8CD, 8CE, 8CF, 8CG, 8CH, 8CI, 8CJ, 8CK, 8CL, 8CM, 8CN, 8CO, 8CP, 8CQ, 8CR, 8CS, 8CT, 8CU, 8CV, 8CW, 8CX, 8CY, 8CZ, 8DA, 8DB, 8DC, 8DD, 8DE, 8DF, 8DG, 8DH, 8DI, 8DJ, 8DK, 8DL, 8DM, 8DN, 8DO, 8DP, 8DQ, 8DR, 8DS, 8DT, 8DU, 8DV, 8DW, 8DX, 8DY, 8DZ, 8EA, 8EB, 8EC, 8ED, 8EE, 8EF, 8EG, 8EH, 8EI, 8EJ, 8EK, 8EL, 8EM, 8EN, 8EO, 8EP, 8EQ, 8ER, 8ES, 8ET, 8EU, 8EV, 8EW, 8EX, 8EY, 8EZ, 8FA, 8FB, 8FC, 8FD, 8FE, 8FF, 8FG, 8FH, 8FI, 8FJ, 8FK, 8FL, 8FM, 8FN, 8FO, 8FP, 8FQ, 8FR, 8FS, 8FT, 8FU, 8FV, 8FW, 8FX, 8FY, 8FZ, 8GA, 8GB, 8GC, 8GD, 8GE, 8GF, 8GG, 8GH, 8GI, 8GJ, 8GK, 8GL, 8GM, 8GN, 8GO, 8GP, 8GQ, 8GR, 8GS, 8GT, 8GU, 8GV, 8GW, 8GX, 8GY, 8GZ, 8HA, 8HB, 8HC, 8HD, 8HE, 8HF, 8HG, 8HH, 8HI, 8HJ, 8HK, 8HL, 8HM, 8HN, 8HO, 8HP, 8HQ, 8HR, 8HS, 8HT, 8HU, 8HV, 8HW, 8HX, 8HY, 8HZ, 8IA, 8IB, 8IC, 8ID, 8IE, 8IF, 8IG, 8IH, 8II, 8IJ, 8IK, 8IL, 8IM, 8IN, 8IO, 8IP, 8IQ, 8IR, 8IS, 8IT, 8IU, 8IV, 8IW, 8IX, 8IY, 8IZ, 8JA, 8JB, 8JC, 8JD, 8JE, 8JF, 8JG, 8JH, 8JI, 8JJ, 8JK, 8JL, 8JM, 8JN, 8JO, 8JP, 8JQ, 8JR, 8JS, 8JT, 8JU, 8JV, 8JW, 8JX, 8JY, 8JZ, 8KA, 8KB, 8KC, 8KD, 8KE, 8KF, 8KG, 8KH, 8KI, 8KJ, 8KK, 8KL, 8KM, 8KN, 8KO, 8KP, 8KQ, 8KR, 8KS, 8KT, 8KU, 8KV, 8KW, 8KX, 8KY, 8KZ, 8LA, 8LB, 8LC, 8LD, 8LE, 8LF, 8LG, 8LH, 8LI, 8LJ, 8LK, 8LL, 8LM, 8LN, 8LO, 8LP, 8LQ, 8LR, 8LS, 8LT, 8LU, 8LV, 8LW, 8LX, 8LY, 8LZ, 8MA, 8MB, 8MC, 8MD, 8ME, 8MF, 8MG, 8MH, 8MI, 8MJ, 8MK, 8ML, 8MM, 8MN, 8MO, 8MP, 8MQ, 8MR, 8MS, 8MT, 8MU, 8MV, 8MW, 8MX, 8MY, 8MZ, 8NA, 8NB, 8NC, 8ND, 8NE, 8NF, 8NG, 8NH, 8NI, 8NJ, 8NK, 8NL, 8NM, 8NN, 8NO, 8NP, 8NQ, 8NR, 8NS, 8NT, 8NU, 8NV, 8NW, 8NX, 8NY, 8NZ, 8OA, 8OB, 8OC, 8OD, 8OE, 8OF, 8OG, 8OH, 8OI, 8OJ, 8OK, 8OL, 8OM, 8ON, 8OO, 8OP, 8OQ, 8OR, 8OS, 8OT, 8OU, 8OV, 8OW, 8OX, 8OY, 8OZ, 8PA, 8PB, 8PC, 8PD, 8PE, 8PF, 8PG, 8PH, 8PI, 8PJ, 8PK, 8PL, 8PM, 8PN, 8PO, 8PP, 8PQ, 8PR, 8PS, 8PT, 8PU, 8PV, 8PW, 8PX, 8PY, 8PZ, 8QA, 8QB, 8QC, 8QD, 8QE, 8QF, 8QG, 8QH, 8QI, 8QJ, 8QK, 8QL, 8QM, 8QN, 8QO, 8QP, 8QQ, 8QR, 8QS, 8QT, 8QU, 8QV, 8QW, 8QX, 8QY, 8QZ, 8RA, 8RB, 8RC, 8RD, 8RE, 8RF, 8RG, 8RH, 8RI, 8RJ, 8RK, 8RL, 8RM, 8RN, 8RO, 8RP, 8RQ, 8RR, 8RS, 8RT, 8RU, 8RV, 8RW, 8RX, 8RY, 8RZ, 8SA, 8SB, 8SC, 8SD, 8SE, 8SF, 8SG, 8SH, 8SI, 8SJ, 8SK, 8SL, 8SM, 8SN, 8SO, 8SP, 8SQ, 8SR, 8SS, 8ST, 8SU, 8SV, 8SW, 8SX, 8SY, 8SZ, 8TA, 8TB, 8TC, 8TD, 8TE, 8TF, 8TG, 8TH, 8TI, 8TJ, 8TK, 8TL, 8TM, 8TN, 8TO, 8TP, 8TQ, 8TR, 8TS, 8TT, 8TU, 8TV, 8TW, 8TX, 8TY, 8TZ, 8UA, 8UB, 8UC, 8UD, 8UE, 8UF, 8UG, 8UH, 8UI, 8UJ, 8UK, 8UL, 8UM, 8UN, 8UO, 8UP, 8UQ, 8UR, 8US, 8UT, 8UU, 8UV, 8UW, 8UX, 8UY, 8UZ, 8VA, 8VB, 8VC, 8VD, 8VE, 8VF, 8VG, 8VH, 8VI, 8VJ, 8VK, 8VL, 8VM, 8VN, 8VO, 8VP, 8VQ, 8VR, 8VS, 8VT, 8VU, 8VV, 8VW, 8VX, 8VY, 8VZ, 8WA, 8WB, 8WC, 8WD, 8WE, 8WF, 8WG, 8WH, 8WI, 8WJ, 8WK, 8WL, 8WM, 8WN, 8WO, 8WP, 8WQ, 8WR, 8WS, 8WT, 8WU, 8WV, 8WW, 8WX, 8WY, 8WZ, 8XA, 8XB, 8XC, 8XD, 8XE, 8XF, 8XG, 8XH, 8XI, 8XJ, 8XK, 8XL, 8XM, 8XN, 8XO, 8XP, 8XQ, 8XR, 8XS, 8XT, 8XU, 8XV, 8XW, 8XX, 8XY, 8XZ, 8YA, 8YB, 8YC, 8YD, 8YE, 8YF, 8YG, 8YH, 8YI, 8YJ, 8YK, 8YL, 8YM, 8YN, 8YO, 8YP, 8YQ, 8YR, 8YS, 8YT, 8YU, 8YV, 8YW, 8YX, 8YY, 8YZ, 8ZA, 8ZB, 8ZC, 8ZD, 8ZE, 8ZF, 8ZG, 8ZH, 8ZI, 8ZJ, 8ZK, 8ZL, 8ZM, 8ZN, 8ZO, 8ZP, 8ZQ, 8ZR, 8ZS, 8ZT, 8ZU, 8ZV, 8ZW, 8ZX, 8ZY, 8ZZ, 8AA, 8AB, 8AC, 8AD, 8AE, 8AF, 8AG, 8AH, 8AI, 8AJ, 8AK, 8AL, 8AM, 8AN, 8AO, 8AP, 8AQ, 8AR, 8AS, 8AT, 8AU, 8AV, 8AW, 8AX, 8AY, 8AZ, 8BA, 8BB, 8BC, 8BD, 8BE, 8BF, 8BG, 8BH, 8BI, 8BJ, 8BK, 8BL, 8BM, 8BN, 8BO, 8BP, 8BQ, 8BR, 8BS, 8BT, 8BU, 8BV, 8BW, 8BX, 8BY, 8BZ, 8CA, 8CB, 8CC, 8CD, 8CE, 8CF, 8CG, 8CH, 8CI, 8CJ, 8CK, 8CL, 8CM, 8CN, 8CO, 8CP, 8CQ, 8CR, 8CS, 8CT, 8CU, 8CV, 8CW, 8CX, 8CY, 8CZ, 8DA, 8DB, 8DC, 8DD, 8DE, 8DF, 8DG, 8DH, 8DI, 8DJ, 8DK, 8DL, 8DM, 8DN, 8DO, 8DP, 8DQ, 8DR, 8DS, 8DT, 8DU, 8DV, 8DW, 8DX, 8DY, 8DZ, 8EA, 8EB, 8EC, 8ED, 8EE, 8EF, 8EG, 8EH, 8EI, 8EJ, 8EK, 8EL, 8EM, 8EN, 8EO, 8EP, 8EQ, 8ER, 8ES, 8ET, 8EU, 8EV, 8EW, 8EX, 8EY, 8EZ, 8FA, 8FB, 8FC, 8FD, 8FE, 8FF, 8FG, 8FH, 8FI, 8FJ, 8FK, 8FL, 8FM, 8FN, 8FO, 8FP, 8FQ, 8FR, 8FS, 8FT, 8FU, 8FV, 8FW, 8FX, 8FY, 8FZ, 8GA, 8GB, 8GC, 8GD, 8GE, 8GF, 8GG, 8GH, 8GI, 8GJ, 8GK, 8GL, 8GM, 8GN, 8GO, 8GP, 8GQ, 8GR, 8GS, 8GT, 8GU, 8GV, 8GW, 8GX, 8GY, 8GZ, 8HA, 8HB, 8HC, 8HD, 8HE, 8HF, 8HG, 8HH, 8HI, 8HJ, 8HK, 8HL, 8HM, 8HN, 8HO, 8HP, 8HQ, 8HR, 8HS, 8HT, 8HU, 8HV, 8HW, 8HX, 8HY, 8HZ, 8IA, 8IB, 8IC, 8ID, 8IE, 8IF, 8IG, 8IH, 8II, 8IJ, 8IK, 8IL, 8IM, 8IN, 8IO, 8IP, 8IQ, 8IR, 8IS, 8IT, 8IU, 8IV, 8IW, 8IX, 8IY, 8IZ, 8JA, 8JB, 8JC, 8JD, 8JE, 8JF, 8JG, 8JH, 8JI, 8JJ, 8JK, 8JL, 8JM, 8JN, 8JO, 8JP, 8JQ, 8JR, 8JS, 8JT, 8JU, 8JV, 8JW, 8JX, 8JY, 8JZ, 8KA, 8KB, 8KC, 8KD, 8KE, 8KF, 8KG, 8KH, 8KI, 8KJ, 8KK, 8KL, 8KM, 8KN, 8KO, 8KP, 8KQ, 8KR, 8KS, 8KT, 8KU, 8KV, 8KW, 8KX, 8KY, 8KZ, 8LA, 8LB, 8LC, 8LD, 8LE, 8LF, 8LG, 8LH, 8LI, 8LJ, 8LK, 8LM, 8LN, 8LO, 8LP, 8LQ, 8LR, 8LS, 8LT, 8LU, 8LV, 8LW, 8LX, 8LY, 8LZ, 8MA, 8MB, 8MC, 8MD, 8ME, 8MF, 8MG, 8MH, 8MI, 8MJ, 8MK, 8ML, 8MM, 8MN, 8MO, 8MP, 8MQ, 8MR, 8MS, 8MT, 8MU, 8MV, 8MW, 8MX, 8MY, 8MZ, 8NA, 8NB, 8NC, 8ND, 8NE, 8NF, 8NG, 8NH, 8NI, 8NJ, 8NK, 8NL, 8NM, 8NN, 8NO, 8NP, 8NQ, 8NR, 8NS, 8NT, 8NU, 8NV, 8NW, 8NX, 8NY, 8NZ, 8OA, 8OB, 8OC, 8OD, 8OE, 8OF, 8OG, 8OH, 8OI, 8OJ, 8OK, 8OL, 8OM, 8ON, 8OO, 8OP, 8OQ, 8OR, 8OS, 8OT, 8OU, 8OV, 8OW, 8OX, 8OY, 8OZ, 8PA, 8PB, 8PC, 8PD, 8PE, 8PF, 8PG, 8PH, 8PI, 8PJ, 8PK, 8PL, 8PM, 8PN, 8PO, 8PP, 8PQ, 8PR, 8PS, 8PT, 8PU, 8PV, 8PW, 8PX, 8PY, 8PZ, 8QA, 8QB, 8QC, 8QD, 8QE, 8QF, 8QG, 8QH, 8QI, 8QJ, 8QK, 8QL, 8QM, 8QN, 8QO, 8QP, 8QQ, 8QR, 8QS, 8QT, 8QU, 8QV, 8QW, 8QX, 8QY, 8QZ, 8RA, 8RB, 8RC, 8RD, 8RE, 8RF, 8RG, 8RH, 8RI, 8RJ, 8RK, 8RL, 8RM, 8RN, 8RO, 8RP, 8RQ, 8RR, 8RS, 8RT, 8RU, 8RV, 8RW, 8RX, 8RY, 8RZ, 8SA, 8SB, 8SC, 8SD, 8SE, 8SF, 8SG, 8SH, 8SI, 8SJ, 8SK, 8SL, 8SM, 8SN, 8SO, 8SP, 8SQ, 8SR, 8SS, 8ST, 8SU, 8SV, 8SW, 8SX, 8SY, 8SZ, 8TA, 8TB, 8TC, 8TD, 8TE, 8TF, 8TG, 8TH, 8TI, 8TJ, 8TK, 8TL, 8TM, 8TN, 8TO, 8TP, 8TQ, 8TR, 8TS, 8TT, 8TU, 8TV, 8TW, 8TX, 8TY, 8TZ, 8UA, 8UB, 8UC, 8UD, 8UE, 8UF, 8UG, 8UH, 8UI, 8UJ, 8UK, 8UL, 8UM, 8UN, 8UO, 8UP, 8UQ, 8UR, 8US, 8UT, 8UU, 8UV, 8UW, 8UX, 8UY, 8UZ, 8VA, 8VB, 8VC, 8VD, 8VE, 8VF, 8VG, 8VH, 8VI, 8VJ, 8VK, 8VL, 8VM, 8VN, 8VO, 8VP, 8VQ, 8VR, 8VS, 8VT, 8VU, 8VV, 8VW, 8VX, 8VY, 8VZ, 8WA, 8WB, 8WC, 8WD, 8WE, 8WF, 8WG, 8WH, 8WI, 8WJ, 8WK, 8WL, 8WM, 8WN, 8WO, 8WP, 8WQ, 8WR, 8WS, 8WT, 8WU, 8WV, 8WW, 8WX, 8WY, 8WZ, 8XA, 8XB, 8XC, 8XD, 8XE, 8XF, 8XG, 8XH, 8XI, 8XJ, 8XK, 8XL, 8XM, 8XN, 8XO, 8XP, 8XQ, 8XR, 8XS, 8XT, 8XU, 8XV, 8XW, 8XX, 8XY, 8XZ, 8YA, 8YB, 8YC, 8YD, 8YE, 8YF, 8YG, 8YH, 8YI, 8YJ, 8YK, 8YL, 8YM, 8YN, 8YO, 8YP, 8YQ, 8YR, 8YS, 8YT, 8YU, 8YV, 8YW, 8YX, 8YY, 8YZ, 8ZA, 8ZB, 8ZC, 8ZD, 8ZE, 8ZF, 8ZG, 8ZH, 8ZI, 8ZJ, 8ZK, 8ZL, 8ZM, 8ZN, 8ZO, 8ZP, 8ZQ, 8ZR, 8ZS, 8ZT, 8ZU, 8ZV, 8ZW, 8ZX, 8ZY, 8ZZ, 8AA, 8AB, 8AC, 8AD, 8AE, 8AF, 8AG, 8AH, 8AI, 8AJ, 8AK, 8AL, 8AM, 8AN, 8AO, 8AP, 8AQ, 8AR, 8AS, 8AT, 8AU, 8AV, 8AW, 8AX, 8AY, 8AZ, 8BA, 8BB, 8BC, 8BD, 8BE, 8BF, 8BG, 8BH, 8BI, 8BJ, 8BK, 8BL, 8BM, 8BN, 8BO, 8BP, 8BQ, 8BR, 8BS, 8BT, 8BU, 8BV, 8BW, 8BX, 8BY, 8BZ, 8CA, 8CB, 8CC, 8CD, 8CE, 8CF, 8CG, 8CH, 8CI, 8CJ, 8CK, 8CL, 8CM, 8CN, 8CO, 8CP, 8CQ, 8CR, 8CS, 8CT, 8CU, 8CV, 8CW, 8CX, 8CY, 8CZ, 8DA, 8DB, 8DC, 8DD, 8DE, 8DF, 8DG, 8DH, 8DI, 8DJ, 8DK, 8DL, 8DM, 8DN, 8DO, 8DP, 8DQ, 8DR, 8DS, 8DT, 8DU, 8DV, 8DW, 8DX, 8DY, 8DZ, 8EA, 8EB, 8EC, 8ED, 8EE, 8EF, 8EG, 8EH, 8EI, 8EJ, 8EK, 8EL, 8EM, 8EN, 8EO, 8EP, 8EQ, 8ER, 8ES, 8ET, 8EU, 8EV, 8EW, 8EX, 8EY, 8EZ, 8FA, 8FB, 8FC, 8FD, 8FE, 8FF, 8FG, 8FH, 8FI, 8FJ, 8FK, 8FL, 8FM, 8FN, 8FO, 8FP, 8FQ, 8FR, 8FS, 8FT, 8FU, 8FV, 8FW, 8FX, 8FY, 8FZ, 8GA, 8GB, 8GC, 8GD, 8GE, 8GF, 8GG, 8GH, 8GI, 8GJ, 8GK, 8GL, 8GM, 8GN, 8GO, 8GP, 8GQ, 8GR, 8GS, 8GT, 8GU, 8GV, 8GW, 8GX, 8GY, 8GZ, 8HA, 8HB, 8HC, 8HD, 8HE, 8HF, 8HG, 8HH, 8HI, 8HJ, 8HK, 8HL, 8HM, 8HN, 8HO, 8HP, 8HQ, 8HR, 8HS, 8HT, 8HU, 8HV, 8HW, 8HX, 8HY, 8HZ, 8IA, 8IB, 8IC, 8ID, 8IE, 8IF, 8IG, 8IH, 8II, 8IJ, 8IK, 8IL, 8IM, 8IN, 8IO, 8IP, 8IQ, 8IR, 8IS, 8IT, 8IU, 8IV, 8IW, 8IX, 8IY, 8IZ, 8JA, 8JB, 8JC, 8JD, 8JE, 8JF, 8JG, 8JH, 8JI, 8JJ, 8JK, 8JL, 8JM, 8JN, 8JO, 8JP, 8JQ, 8JR, 8JS, 8JT, 8JU, 8JV, 8JW, 8JX, 8JY, 8JZ, 8KA, 8KB, 8KC, 8KD, 8KE, 8KF, 8KG, 8KH, 8KI, 8KJ, 8KK, 8KL, 8KM, 8KN, 8KO, 8KP, 8KQ, 8KR, 8KS, 8KT, 8KU, 8KV, 8KW, 8KX, 8KY, 8KZ, 8LA, 8LB, 8LC, 8LD, 8LE, 8LF, 8LG, 8LH, 8LI, 8LJ, 8LK, 8LM, 8LN, 8LO, 8LP, 8LQ, 8LR, 8LS, 8LT, 8LU, 8LV, 8LW, 8LX, 8LY, 8LZ, 8MA, 8MB, 8MC, 8MD, 8ME, 8MF, 8MG, 8MH, 8MI, 8MJ, 8MK, 8ML, 8MM, 8MN, 8MO, 8MP, 8MQ, 8MR, 8MS, 8MT, 8MU, 8MV, 8MW, 8MX, 8MY, 8MZ, 8NA, 8NB, 8NC, 8ND, 8NE, 8NF, 8NG, 8NH, 8NI, 8NJ, 8NK, 8NL, 8NM, 8NN, 8NO, 8NP, 8NQ, 8NR, 8NS, 8NT, 8NU, 8NV, 8NW, 8NX, 8NY, 8NZ, 8OA, 8OB, 8OC, 8OD, 8OE, 8OF, 8OG, 8OH, 8OI, 8OJ, 8OK, 8OL, 8OM, 8ON, 8OO, 8OP, 8OQ, 8OR, 8OS, 8OT, 8OU, 8OV, 8OW, 8OX, 8OY, 8OZ, 8PA, 8PB, 8PC, 8PD, 8PE, 8PF, 8PG, 8PH, 8PI, 8PJ, 8PK, 8PL, 8PM, 8PN, 8PO, 8PP, 8PQ, 8PR, 8PS, 8PT, 8PU, 8PV, 8PW, 8PX, 8PY, 8PZ, 8QA, 8QB, 8QC, 8QD, 8QE, 8QF, 8QG, 8QH, 8QI, 8QJ, 8QK, 8QL, 8QM, 8QN, 8QO, 8QP, 8QQ, 8QR, 8QS, 8QT, 8QU, 8QV, 8QW, 8QX, 8QY, 8QZ, 8RA, 8RB, 8RC, 8RD, 8RE, 8RF, 8RG, 8RH, 8RI, 8RJ, 8RK, 8RL, 8RM, 8RN, 8RO, 8RP, 8RQ, 8RR, 8RS, 8RT, 8RU, 8RV, 8RW, 8RX, 8RY, 8RZ, 8SA, 8SB, 8SC, 8SD, 8SE, 8SF, 8SG, 8SH, 8SI, 8SJ, 8SK, 8SL, 8SM, 8SN, 8SO, 8SP, 8SQ, 8SR, 8SS, 8ST, 8SU, 8SV, 8SW, 8SX, 8SY, 8SZ, 8TA, 8TB, 8TC, 8TD, 8TE, 8TF, 8TG, 8TH, 8TI, 8TJ, 8TK, 8TL, 8TM, 8TN, 8TO, 8TP, 8TQ, 8TR, 8TS, 8TT, 8TU, 8TV, 8TW, 8TX, 8TY, 8TZ, 8UA, 8UB, 8UC, 8UD, 8UE, 8UF, 8UG, 8UH, 8UI, 8UJ, 8UK, 8UL, 8UM, 8UN, 8UO, 8UP, 8UQ, 8UR, 8US, 8UT, 8UU, 8UV, 8UW, 8UX, 8UY, 8UZ, 8VA, 8VB, 8VC, 8VD, 8VE, 8VF, 8VG, 8VH, 8VI, 8VJ, 8VK, 8VL, 8VM, 8VN, 8VO, 8VP, 8VQ, 8VR, 8VS, 8VT, 8VU, 8VV, 8VW, 8VX, 8VY, 8VZ, 8WA, 8WB, 8WC, 8WD, 8WE, 8WF, 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8DY, 8DZ, 8EA, 8EB, 8EC, 8ED, 8EE, 8EF, 8EG, 8EH, 8EI, 8EJ, 8EK, 8EL, 8EM, 8EN, 8EO, 8EP, 8EQ, 8ER, 8ES, 8ET, 8EU, 8EV, 8EW, 8EX, 8EY, 8EZ, 8FA, 8FB, 8FC, 8FD, 8FE, 8FF, 8FG, 8FH, 8FI, 8FJ, 8FK, 8FL, 8FM, 8FN, 8FO, 8FP, 8FQ, 8FR, 8FS, 8FT, 8FU, 8FV, 8FW, 8FX, 8FY, 8FZ, 8GA, 8GB, 8GC, 8GD, 8GE, 8GF, 8GG, 8GH, 8GI, 8GJ, 8GK, 8GL, 8GM, 8GN, 8GO, 8GP, 8GQ, 8GR, 8GS, 8GT, 8GU, 8GV, 8GW, 8GX, 8GY, 8GZ, 8HA, 8HB, 8HC, 8HD, 8HE, 8HF, 8HG, 8HH, 8HI, 8HJ, 8HK, 8HL, 8HM, 8HN, 8HO, 8HP, 8HQ, 8HR, 8HS, 8HT, 8HU, 8HV, 8HW, 8HX, 8HY, 8HZ, 8IA, 8IB, 8IC, 8ID, 8IE, 8IF, 8IG, 8IH, 8II, 8IJ, 8IK, 8IL, 8IM, 8IN, 8IO, 8IP, 8IQ, 8IR, 8IS, 8IT, 8IU, 8IV, 8IW, 8IX, 8IY, 8IZ, 8JA, 8JB, 8JC, 8JD, 8JE, 8JF, 8JG, 8JH, 8JI, 8JJ, 8JK, 8JL, 8JM, 8JN, 8JO, 8JP, 8JQ, 8JR, 8JS, 8JT, 8JU, 8JV, 8JW, 8JX, 8JY, 8JZ, 8KA, 8KB, 8KC, 8KD, 8KE, 8KF, 8KG, 8KH, 8KI, 8KJ, 8KK, 8KL, 8KM, 8KN, 8KO, 8KP, 8KQ, 8KR, 8KS, 8KT, 8KU, 8KV, 8KW, 8KX, 8KY, 8KZ, 8LA, 8LB, 8LC, 8LD, 8LE, 8LF, 8LG, 8LH, 8LI, 8LJ, 8LK, 8LM, 8LN, 8LO, 8LP, 8LQ, 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# FINANCIAL TIMES SURVEY

Thursday November 6 1986

## Maryland

FOR a small state—only eight US states are smaller in size—Maryland offers an extraordinary study of contrasts and diversity. The lovely mountains of its western counties give way to rolling hills and farmlands before the sandbars of the eastern shore lead to its famed beaches on the Atlantic coast. Its industries are as varied as its topography. More than 80 per cent of the gross state product is derived from services—the largest share of which comes from state government and federal agencies spilling over the district line into the Washington, D.C. suburbs. Baltimore's port, located 200 miles closer to the mid west than any other on the Atlantic coast, employs one-out-of-10 Marylanders directly or in related jobs. Thousands more work the Chesapeake Bay or in the seafood industry. Manufacturing is faltering, as it is elsewhere in the US, but it still provides 13 per cent of the gross state product with manufacturing in such areas as chemicals, electrical machinery, steel and processed foods.

The Baltimore to Washington corridor is the focus of high technology activity in the state, and many traditional manufacturers have modernised to increase productivity in partnership with the state's research and development, computer hardware and software companies, Maryland's educational institutions and federal agencies. Maryland was the first colony to pass a law mandating religious freedom, but it was a slave-holding state until the US abolished the practice during the Civil War in 1864. Politically, the state is relentlessly moderate. Although Democrats held an overwhelming 3-1 lead in voter registration, they are just as likely to vote Republican as they did for Ronald Reagan in 1984 and for retiring Senator Charles "Mac" Mathias.

The state's eight congressmen include four liberals and four conservatives, four women and four men. One senator is a Democrat and one, a Republican. Next year, whether or not Senator Mathias' seat goes to

Maryland's growth has been quiet but spectacular. The Baltimore to Washington corridor has attracted 400 foreign companies, many of them in high technology.

### In a prosperous state

This survey was written by NANCY DUNNE

Ms Barbara Mikulski, a Democrat, or Ms Linda Chavez, a Republican, there will be one male and one female senator.

Maryland has achieved quiet, untrumpeted but spectacular growth in the last eight years under a competent, unpretentious Governor, Harry Hughes. His predecessor was the popular, flamboyant Marvin Mandel, who served prison time for political corruption, who in turn succeeded Mr. Spiro Agnew, who was forced to resign as Richard Nixon's vice president on corruption charges. Governor Hughes' successor is expected to be the dynamic, auto-rat Mayor of Baltimore, William Donald Schaefer, the man most identified with that city's dramatic resurgence and often called "the best mayor in America."

Under Governor Hughes, whose term will end in January the state embarked on a long-needed regional and federal effort to clean up the Chesapeake Bay. An additional \$700m has been pumped into the education system and a sixfold increase in resources devoted to economic development has produced dramatic results.

Signs of economic decline, which abounded when Governor Hughes came to office, have been nearly obliterated. Joblessness fell to 4.2 per cent in July, one of the lowest rates in the country. Maryland's Triple 'A' bond rating is the highest pos-

sible, and the Governor is leaving office with a healthy \$300m in the state Treasury.

Governor Hughes is widely credited with having restored integrity to state politics in Maryland. It is ironic that his 30-year political career is ending with his popularity at its lowest point as a result of last year's savings and loans crisis, which brought the \$92m thrift industry to the brink of ruin. Angry depositors, who had their savings frozen for a time (some have still not been returned), blamed the Governor for having failed to sense danger and for the lax regulations of the S & Ls. Although the industry is now bouncing back under strict new supervision, the Governor's bid for a Senate seat in September was overwhelmingly rejected by the voters.

It is an added irony that the thrift fiasco, which brought down Governor Hughes may, in the end, have actually improved the state's financial fortunes. The settlement of the crisis thrust Maryland firmly into regional banking and permitted the hitherto forbidden entry into Maryland of Chase Manhattan and Mellon Bank which bought falling savings and loans.

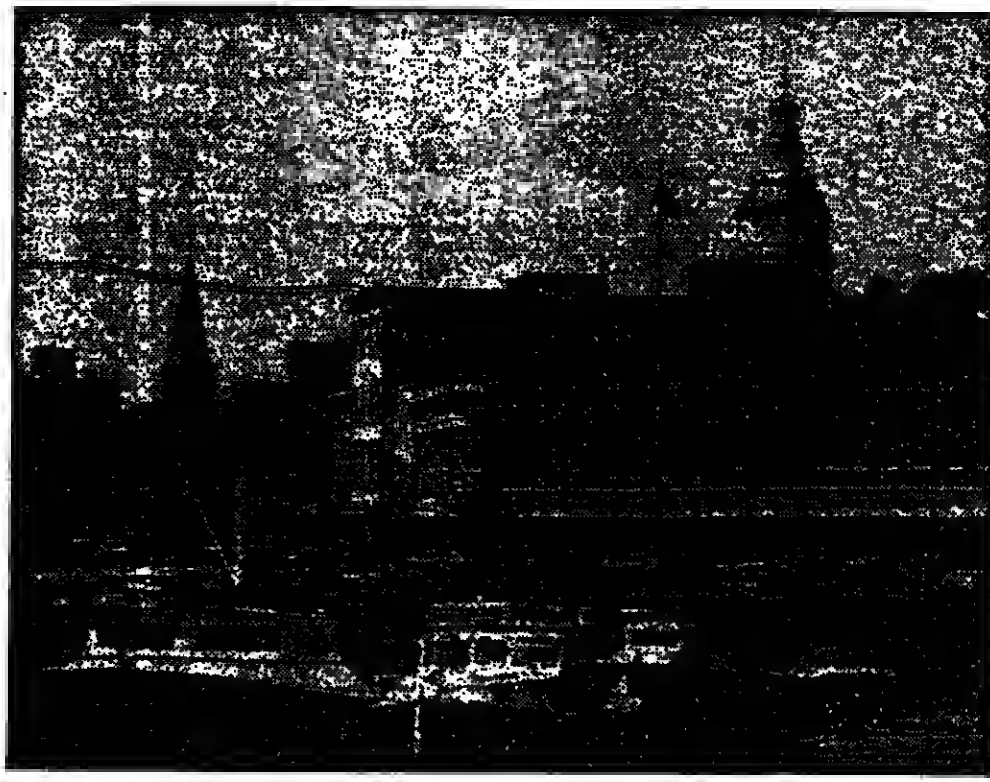
Citicoorp was allowed into the state when it agreed to set up a large credit card operation in Hagerstown, in Western Maryland, where manufacturing jobs had been lost. Between the

increasing presence of big money market banks and mergers of banks in the region, the state's finance industry is expected to emerge in a particularly strong position for business investment.

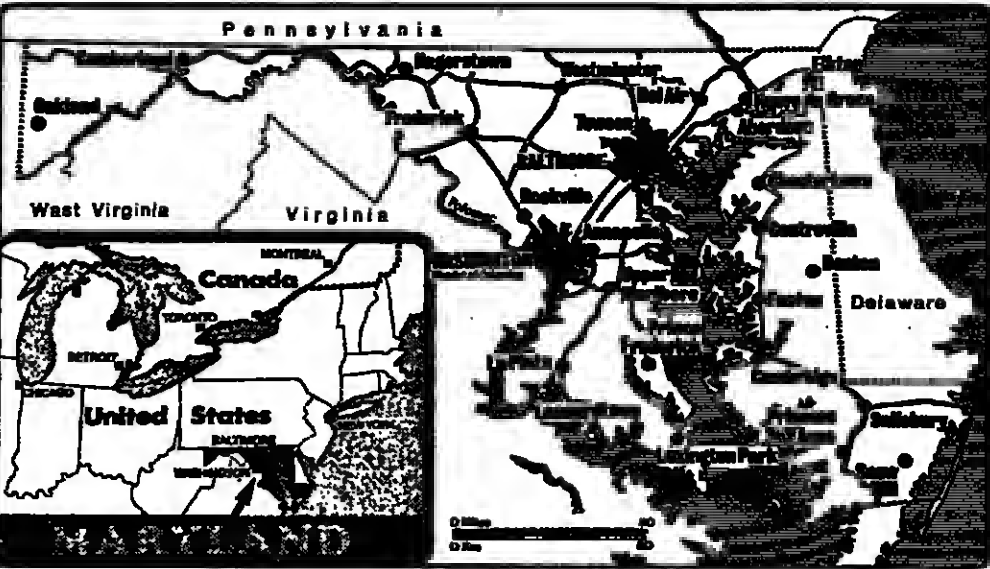
Bankers are particularly stressing close ties with the Maryland's mushrooming telecommunications and information industries. Many of Baltimore's banks, serving a port city, have developed an expertise in trade financing and international banking services. First National Bank, with assets of \$8bn and owned 49 per cent by Allied Irish Bank of Dublin, has its own strategy. It has set up a large division in London to lure and help finance the expansion of European business in Maryland. Its quarterly "First List" of sales and acquisition possibilities, sent out to subscribers for \$250, often matches up European and Maryland partners.

Backed by \$8bn in assets of its Dublin owner, "we have the luxury of not having to look over our shoulder and the independence of day-to-day decision-making," says Mr Jim Lucas, senior vice president for economic development. Of course, he added, the bank may consider making its own acquisitions.

Maryland's banks are benefiting from a new emphasis on a market of 2m households and region being promoted by busi-



The state capital, Annapolis. Looking up Main Street from the Annapolis City Dock, toward St. Anne's Church, left background. Towering (right rear) is the dome of Maryland State House, which served as the first US Capitol from 1783-1784.



ness leaders as the Baltimore-Washington common market. Regionally, the market is a lush one—joining the resources of the federal government in Washington with the manufacturing-based, port city of Baltimore and all their respective suburbs.

The region competes successfully with the Sunbelt, offering a per capita income which is 25 per cent higher than the national average. Its 45 largest commercial banks and thrift organisations contain more than \$87m worth of assets.

With its 60 colleges and universities, Maryland also offers an immense concentration of and highly skilled technical and commercial, academic and government research facilities scientific workers.

Four hundred foreign-based companies have settled in the state—many lured by Maryland's regional offices in Tokyo and Brussels.

Despite the Governor's solid record of accomplishment, the business community is clearly holding grand expectations for Mayor Schaefer, who worked in close partnership with business leaders in rebuilding Baltimore's once-drag downtown area.

The Mayor has shown a distinct flair for promotion as well as an unparalleled devotion to duty. In fulfilling a pledge, he once donned a pair of swimming trunks and plunged into the waters of the city's new aquarium when it was not completed on schedule. He literally sang the city's praises on national television commercials.

He is also widely admired for his personal search for potholes in the Baltimore streets and his insistence that they be fixed "now!" "If, as expected, the state's crowded highways, become a priority on Maryland's agenda, the new Governor can be expected to do a lot of driving.

## The State of Maryland, U.S.A., would like to put a little temptation in the way of British business.

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In Maryland we offer business the biggest incentive of all, a profit generating environment.

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In Baltimore, we boast the second busiest container port on the eastern seaboard and the major international airport in the region.

The State has a highly diversified and flourishing economy, which is why we also have the highest concentration of engineers, scientists and skilled technicians of any region in the country.

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Let yourself be tempted—join the over 500 foreign companies who have already come for the carrot... and stayed for the "greens."

For more information about how to set up business in Maryland, contact the State's office in Brussels.

Telephone: (32.2) 647.53.67 or telex 64317 mareur b.

Or simply fill in the coupon, attach it to your letterhead, and send it to the address shown.

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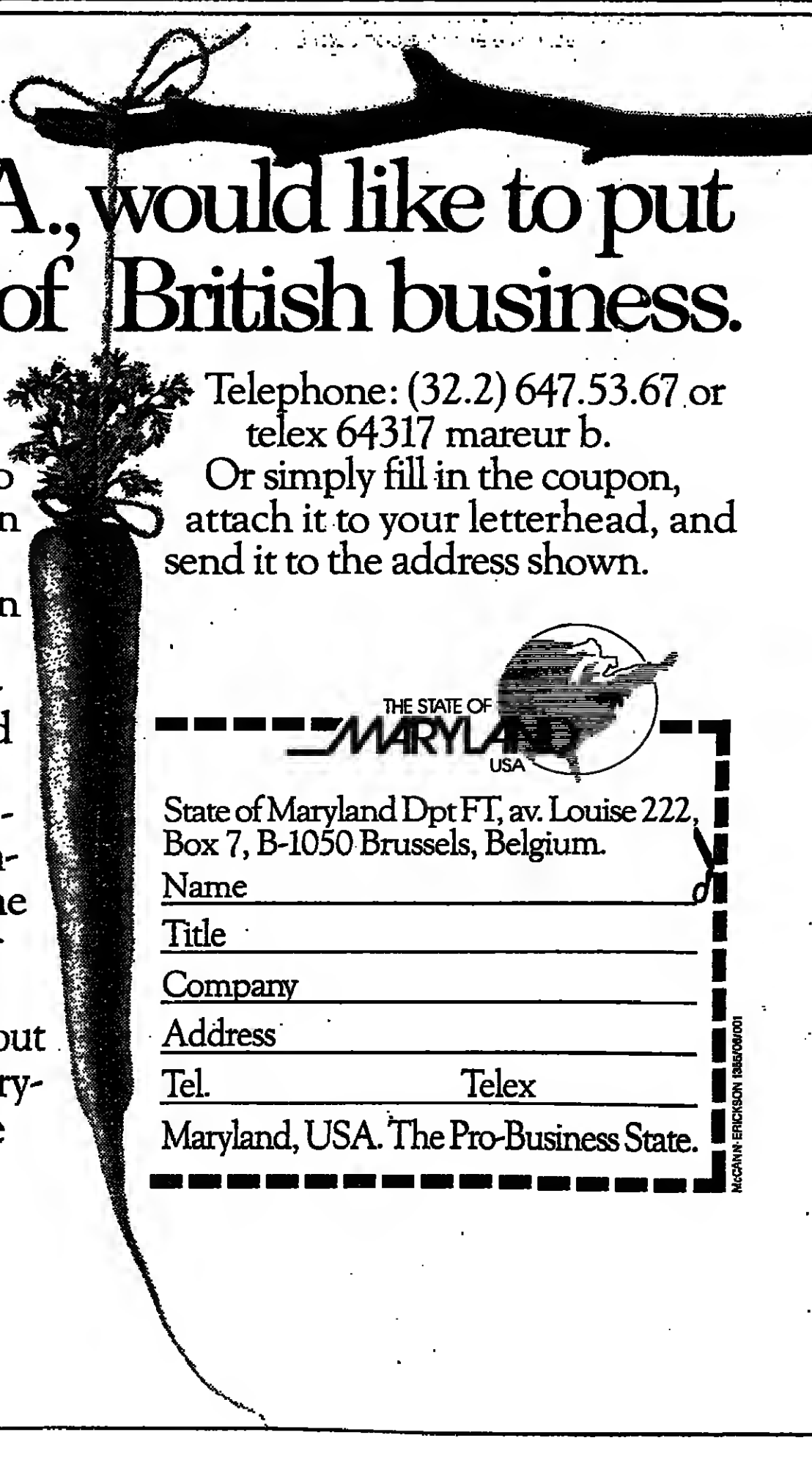
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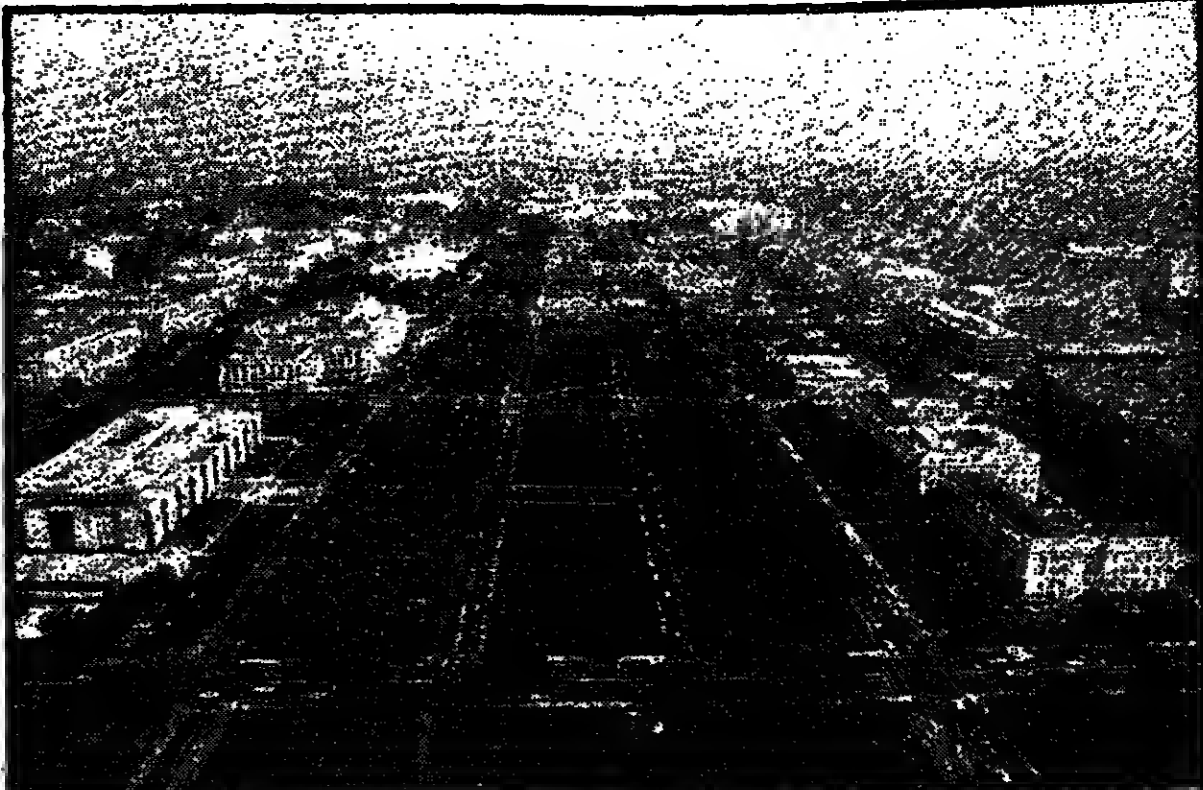
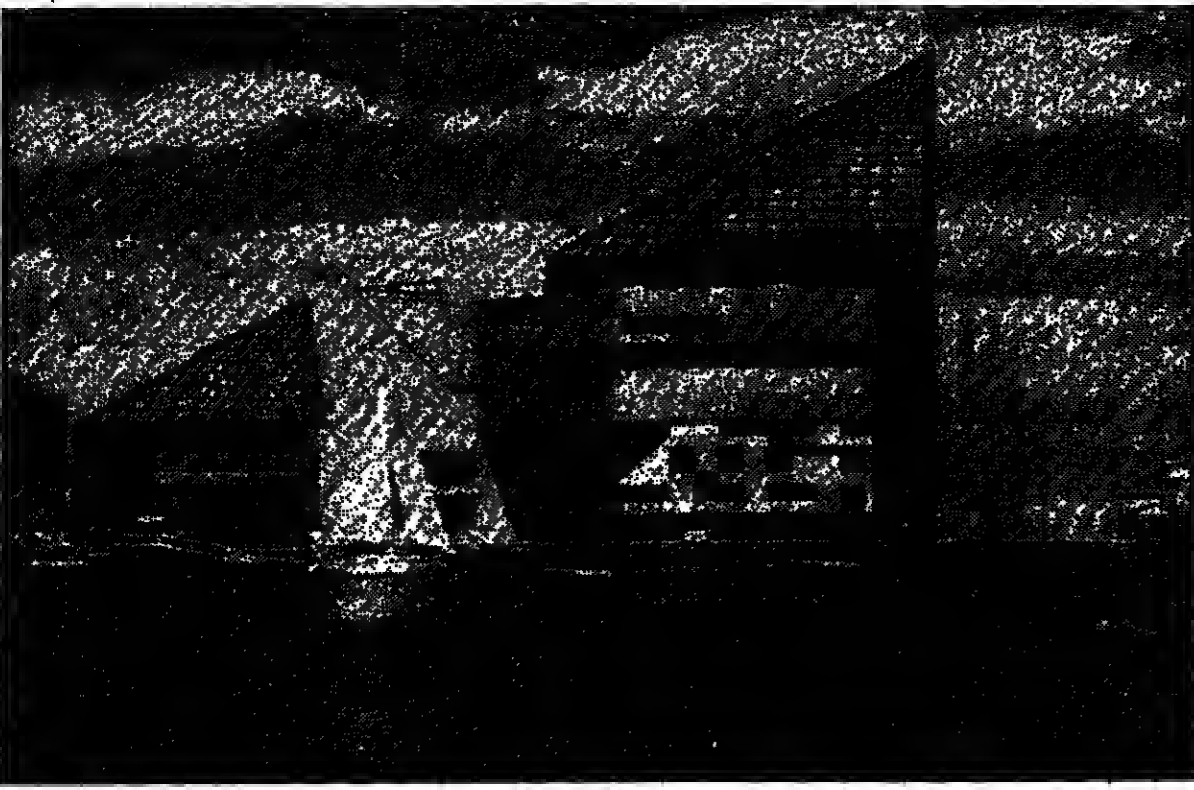
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# MARYLAND 2



## Wine Vintages merited highly

IT WAS a devastating summer for many Maryland farmers this year. The drought which stretched along the eastern seaboard, compounding the already parlous situation of American agriculture, decimated Maryland's maize and pastureland and cut into its tobacco crop.

The sole beneficiary of the weather was the state's infant wine industry, which would have suffered more from too much rain rather than too little.

The 10 small wineries, slowly taking root among the mountains and valleys in the western part of the State, now produce about 25,000 cases of wine a year. They are undercapitalised and have yet to turn a profit, but experimentation over the last decade has produced some nationally prize-winning vintages. Unlike the grain and livestock producers, they are blessed with burgeoning demand.

Being one of the most magnificent vistas in western Maryland is Byrd Vineyards in the Catoctin valley. The owner, Mr William Byrd, a chemist, bought 48 acres of gracefully sloping land in 1972 for real estate development, and then found he could not part with the view.

He and his wife, Sharon, now the company's sales representative, began studying expertising, grafting and developing grapes particularly suited to Maryland.

The growing conditions, says Mr Byrd, are actually better for wine than in Virginia, where the industry has been gaining increasing recognition. Maryland's wineries are cooler, and Maryland's vintages are sturdier, with lack of state support for promotion or financing.

"What we need here is competition," says Mr Byrd. "We need experienced European and Californian producers who have money to come in here and to things right."

He himself is on a personal campaign to encourage settlers with grapes. He has farmland is plentiful.

"It's nice to be small," he admits, "but it has clear disadvantages. The Byrd Wineries can now produce only 10,000 gallons plus the 10,000-15,000 gallons Mr Byrd sponsors and distributes under the Byrd label from a California winery. His vines have won several honours against California and European vintages, but he simply cannot produce enough to build a profitable niche beyond the local market.

Already heavily in debt, he does not want to borrow more. Yet it irks him to know that with capital he could expand and fill the requests for his prize-winning Cabernet Sauvignon.

In the past five years, he has been plagued by bad weather. His Sauvignon Blanc wines suffered from frost and his Gewurztraminer has suffered bud damage. But now, said Mr Byrd, "we know which are the reliable varieties."

"Maryland can produce some well-balanced, intense wines," says Mr Ron Eckrich, a local taster. "The future of the industry is Maryland. Cabernet Sauvignon and Cabernet Franc."

In the past the fledgling industry has been hampered by in-fighting and jealousy, Mr Eckrich says. However, in the past three years the owners have banded together to sponsor the Maryland Wine Festival in rural Carroll County.

Next year, they may produce two festivals—one in Baltimore—and there is talk of co-operative advertising ventures and hiring a state lobbyist.

"We're such a baby," says Mr Byrd. "We realise there's no point in fighting each other for 0.1 per cent of the market."

### Baltimore

## City of high innovation

"ALL CITIES have dreamers, but ours has the men and women with courage to pursue them."

These stirring words, on a plaque on a Baltimore pier, were inscribed recently in memory of the Pride of Baltimore, the city's goodwill clipper-ship which sank in a sudden violent squall last summer with its captain and two crew members.

"The whole city went into mourning," said Miss Susan Ellsberg, public relations coordinator of the Baltimore Economic Development Corporation (Bedco). Mayor William Schaefer, at a press conference on the day the tragic news was received, was visibly affected and city officials seemed stunned by the news.

Such civic feeling is typical of Baltimore, where local patriotism and pride abound and the business community and city government have laboured in concert to produce a downtown renaissance and expand development in the 10 industrial parks around the city.

Mayor Schaefer, often said to be "married to the city," is the embodiment of single-minded dedication to an ideal Baltimore, where jobs are plentiful, the many ethnic neighbourhoods are livable and the downtown area is the focus of business, culture and entertainment. Under 15 years of Mayor Schaefer pushing, prodding and, some say, bullying, all elements in the city have been enlisted in the cause.

Business leaders work with the city school system to reverse a worrying drop-out rate (40 per cent do not graduate from high school), Bedco, a quasi-public corporation guided by a board of advisers from the business community supervises the city's economic growth, offering a variety of services ranging from financing packages to site

location and the marketing of business parks and office space. A recent development scheme with a \$1m venture capital fund has been given an advisory board with businessmen and university officials. The City's board of estimates is responsible for final approval.

The city, seeking biotechnology as a source of economic growth, has backed such projects to the hilt. In West Baltimore the University of Maryland has worked with Bedco to redesign a building to accommodate the university's Institute of Biotechnology as well as young companies in the field.

In East Baltimore the Dome Corporation, a subsidiary of Johns Hopkins University is developing a \$500m biomedical business park, which includes an asthma research and clinical studies facility.

The city's unity of purpose was evident at a dedication last month of a new corporate headquarters in the high-tech city-owned Seton Business Park.

Under a large striped tent, city council members and Baltimore officials joined company executives, local bankers, an Air Force colour guard and a local high school band for a ribbon-cutting ceremony opening the headquarters and research centre of CRI International, an expanding group serving the oil refining and petrochemical industries.

A mayoral representative read a proclamation declaring the occasion to be a Catalyst Recovery International Day in Baltimore in honour of the company's main function. Mr Dennis Shaughnessy, CRI's president, presented the city with a \$1,000 cheque for a fund to build a new pride of Baltimore clipper ship.

The gleaming CRI headquarters is the latest addition to the landscaped 150-acre park, which has already attracted several high-tech manufac-

turers, an engineering concern, a television station, and the national headquarters of the National Association for the Advancement of Coloured People. More than 1,000 workers are expected to be employed in the park by the end of this year.

At a time when cities all over the US are fast losing manufacturing jobs, Baltimore—the country's twelfth largest city, according to the most recent census—has focused on job retention as well as growth. The unemployment rate is 6.5 per cent, below the national average, because of a vigorous campaign to promote the local industry as well as attract

Between 1976 and 1985 the city retained or added 39,500 jobs, and promoted \$1.2bn in investment and 4.2m sq ft of new construction, according to Bedco.

One of Mayor Schaefer's great successes was to convince General Motors to remain in Baltimore and even to rebuild and expand a modern assembly plant for its M-Van. GM invested \$270m in a plant which fitted robots to the assembly line and fully automated a new paint shop.

While the plant was shut down for renovation, the 3,000 workers took part in a training programme to prepare them for high-tech production. Mayor Schaefer, for his part, committed the city to undertake public improvements near by and made land available for a new car parking lot so that the plan could be enlarged.

Meanwhile, the city is searching for foreign trade and investment, promoting ties and sending missions to nine "sister cities," including Rotterdam, Genoa, Luxor, Odessa, Caidz and Xiamen, China.

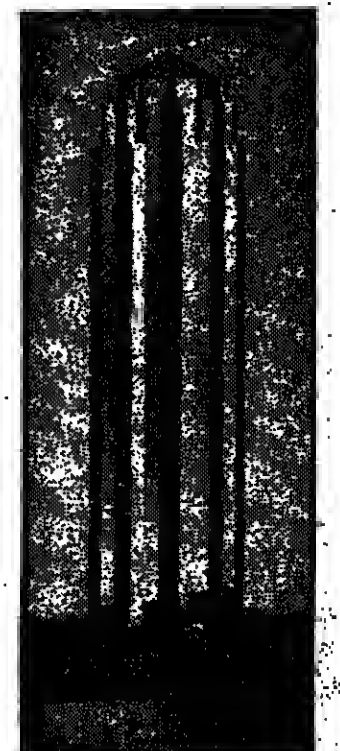
Last November, the Mayor led a delegation on a three-week trade mission to China, which produced, among other contracts, an agreement to supply surplus beef and leading "superior genetics" to improve Chinese herds.

A delegation of businessmen last month visited Rotterdam to arrange sports and medical exchanges between the two cities and to explain Baltimore's comprehensive approach to re-development.

The Mayor is responsible for this comprehensive approach to development, according to Mr Bernard Berkowitz, president of Bedco and a long serving city official. But groundwork for the city's renewal was laid decades before Mayor Schaefer took office.

Baltimore has long been run by Democrats, but machine politics never had firm hold on the services. Public officials, said Mr Berkowitz, were leading professionals in their fields and they worked closely with professors at Johns Hopkins, the University of Maryland and other colleges in the area.

Independence Avenue (right) and Constitution Avenue, Washington, looking towards the Capitol: Fears are that the proposed 630-foot World Trade Center tower (below) could impinge on the capital's low-lying skyline



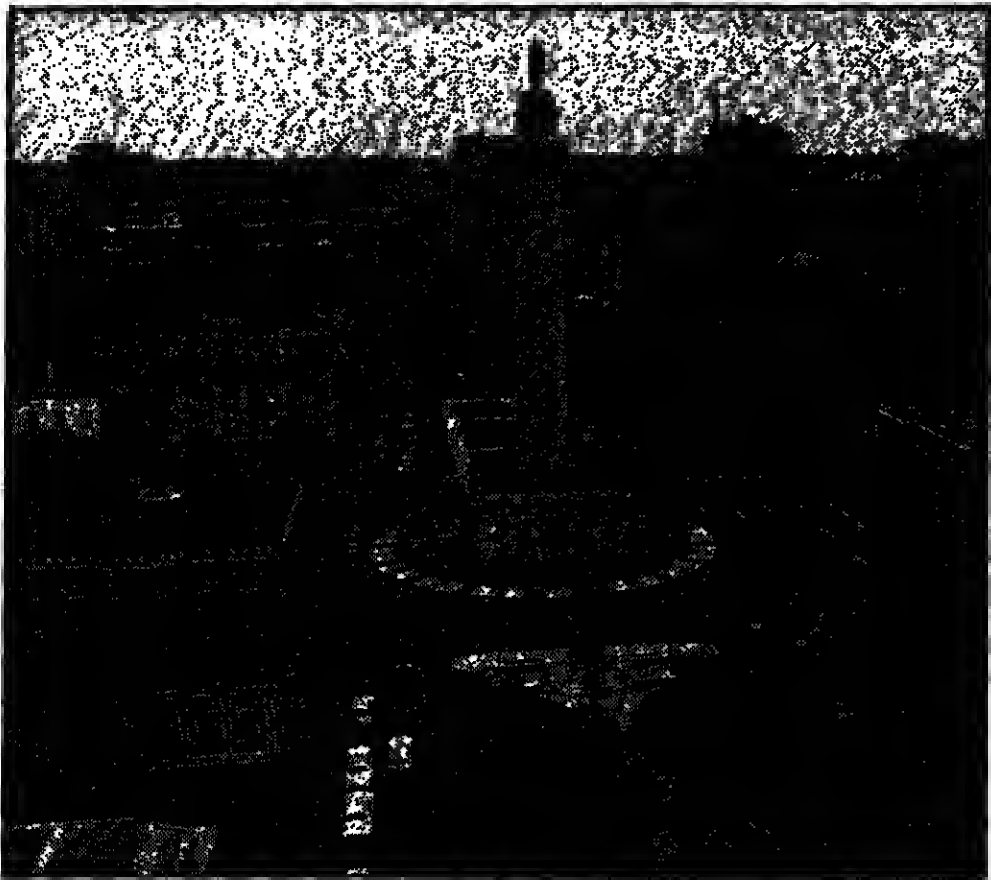
The business sector foresaw what has become a \$2bn renewal programme as early as the 1960s, when the Greater Baltimore Committee, 100 leading corporate executives, hired its own planning council and made plans for what became the downtown Charles Centre—33 acres of skyscrapers, underground parking, walkways, hotels and theatres. Later the project was turned over to the city.

In the mid-1960s planning began for the redevelopment of the Inner Harbour, which now attracts tourists to its shops, festivals and entertainment centres. Meanwhile, the city's old neighbourhoods have been restored and rehabilitated.

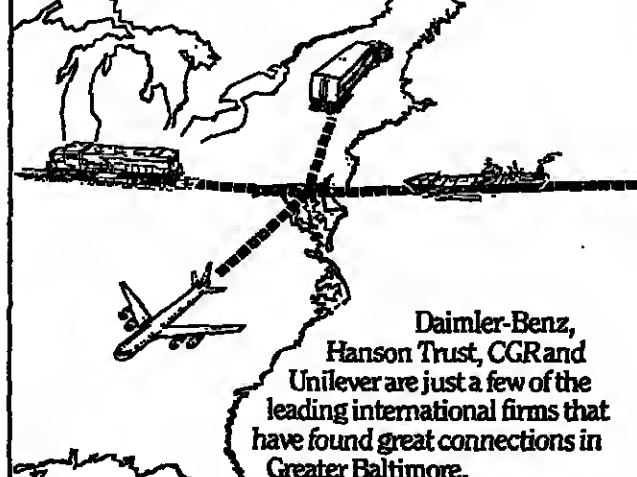
Although Baltimore may lose the direct involvement of Mayor Schaefer if he wins the Governor's chair, many long serving officials are expected to stay on to provide continuity.

Several projects remain, such as filling up the industrial parks, building a new film theatre for the harbour's science museum and renovating an old fish market to provide a new nightlife centre.

Apart from its thriving port, the city has one great advantage. Its fortunes are not tied to one or two industries and its diverse activities can help to cushion fluctuations in the national economy. With 28 colleges and universities in the area and its innovative talents, it should continue to lead the US in well-planned urban development.



## To succeed in America, you have to be well- connected.



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Mail to: Mr. David M. Gibson, Economic Development Director, The Greater Baltimore Committee, 21 Hopkins Plaza, Suite 900, Baltimore, MD 21201, U.S.A.

Contrast between the old and the new. At the top is the National Aquarium in Baltimore, located in the revitalised inner harbour where more than 5,000 harbour animals are shown in natural environments. Above is Mount Vernon Place formed by four rectangular parks, where the first monument was begun in honour of George Washington. Most of the homes were built between 1850 and 1900.

### PortAmerica

## \$1bn project under fire

SEVEN MILES south of downtown Washington, DC, along the Potomac River on land once mined for sand and gravel, an ambitious \$1bn real estate project in Prince George's County, Maryland, has been caught up in a row over the Capitol's skyline.

The 490-acre project, called PortAmerica, envisions a magnificent development of luxury condominiums and rowhouses, shops, an international business complex, a 250-slip marina, a spectacular glass-enclosed restaurant suspended over the river, a luxury hotel and an inn.

The focal point of the project—and the controversy—is a proposed 630-ft World Trade Centre Tower, billed as the tallest structure between Philadelphia and Atlanta. It is this point of pride which has brought down the wrath of the National Capitol Planning Commission and the National Park Service because nothing in Washington is supposed to top the 555-ft tall Washington Monument.

No matter that the project would not be in Washington but in Maryland, it would "intrude," say Washington critics on the famous low-lying Washington skyline. The development's foes found a champion in Senator Alan Cranston of California, who with the support of environmentalists introduced legislation which would have slapped a surcharge on the tower of \$1m per ft above the limit of buildings in Washington. The Bill got nowhere in the last session and is unlikely to get anywhere in the next. It did, however, enrage the Prince George's County Council. The council has given hearty

backing to the project, which is expected to bring in 10,000 new jobs to the county and \$24m in annual tax revenues. In addition, it will create an oasis for the wealthy in a county where plentiful low-cost housing has attracted many minorities and poor.

What most infuriated Mr Parris Glendening, the Prince George's county executive was that a senator who lives 3,000 miles away would move to stop the project because he finds its aesthetics offensive. The senator did not object, he said, when several tall buildings were erected in nearby Northern Virginia.

The critics, he fumed, are trying to limit the ability of local governments to make their own decisions about land use.

Mr James Lewis, the PortAmerica developer, is confident that nothing will stop the first phase of ground-breaking next spring. In the meantime he has been meeting with prospective corporate sponsors.

The distant tower, Mr Lewis argues, will actually appear shorter than the Washington Monument from downtown Washington. However, when the airplane pilots and the Federal Aviation Administration (FAA) raised the possibility that the skyscraper would cause a hazard for air traffic next spring, in the for the tower, calling for 52 storeys, were scaled back by 100 feet to the current 630 feet, or 41 storeys.

The project is not going to overwhelm the Capitol, detract from the monuments or interfere with aircraft, says Mr Lewis. It will be a "gateway" for Maryland from the district.

Although PortAmerica is not actually a port, it is designed

to become a centre for trade activities in the area. The tower will provide offices for exporters and trade-connected lawyers, consultants, accountants and, perhaps, government offices.

Nearby will live the privileged in the 1,200 Georgian-style residences, where units will range in price from \$250,000 to \$1m. The whole county will benefit from the adjoining parkland with rambling footpaths, picnic areas and boating rentals.

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MARYLAND 3

Chesapeake Bay

Cleaning up after the developers

"WHEREVER he looked he saw a grand expanse of water forming itself into bays and creeks and coves and even small rivers... from the shores of the varied waters rose land of the most inviting nature: at times broad fields, at other times gently rising land covered with trees... and everywhere the impression of elegance and quietness and gentle living."

Maryland's eastern shore in the 17th century, as described by James Michener, a popular American author, is by no means unrecognisable today. Creeks, ponds and marshlands still dominate the landscape. The 200 mile long Chesapeake Bay, which divides the state in two, still yields crabs, clams and oysters — staples in the Maryland diet. Sportmen still catch bluefish, catfish, sea snappers, striped bass and white perch.

The state's famed and fiercely independent watermen now live in picturesque towns along the inlets and bay. Farmers have settled on the flat fertile and gently rolling lands. High-rise condominiums, where many wealthy live in prosperous retirement, march relentlessly along the shoreline. But all is not thriving on the eastern shore. Among the neat, shingled cottages in the fishing towns are rundown old homes, rusty mobile homes, and yards of refuse and weeds.

Real estate development and industrialisation have taken their toll on the bay, despite an ambitious clean-up programme and stepped up enforcement of new, tough regulations. Old-timers say the silver-blue waters were once bright blue and green and "so clear you could have read a newspaper 10 feet underwater."

Where years ago the bay was crowded with commercial fishing boats and pleasure craft were a rarity, the reverse is now true, said 88-year-old Captain Irving Crouch, once named "Admiral of Chesapeake Bay" by a Maryland Governor.

There are so many sailboats here now that the watermen have to watch the traffic, he says, likening the bay to New York City's Broadway. "They" meaning the sportmen, the watermen's nemesis, "get caught in our lines," he complains.

Developers, says Mr Mark Smith, a former waterman, have filled in swamps, streams and marshes which once nourished the bay. Thousands of commercial and industrial facilities discharge water with toxic chemicals in the Chesapeake, or the rivers which feed into it.

Sewage treatment plants dump in nutrients and chemicals. Rain water washes in fertilisers, pesticides and herbicides from bordering farms.

The national oceanic and atmospheric administration estimates that each year industries and sewage plants in Maryland and Virginia, which shares the bay, discharge into it nearly four-trillion gallons of wastewater—one-fifth of its total



Crabbing is a summer pastime and an important industry along the tidal waters of Chesapeake Bay.

water at any given time. As a result, the bay's rich food harvest has been in decline. The annual oyster catch is down two-thirds from 1970-83. A drastic drop in the annual catch led to a 1983 ban on commercial fishing of rockfish. Since shad is nearly extinct, and trout and herring are on their way to a similar fate, Maryland's watermen can no longer fish for a living.

The rockfish ban is a constant source of bitterness among the watermen, who blame "ignorant" state officials, the sportsmen ("who raised the

devil that the commercials were catching all the fish") and political forces ranged against them.

"The sports industry has been after rockfishing as long as I can remember," says Captain Crouch. "They finally got their way."

Mr Rourke Fiftian, a young waterman in the town of Rockhall, complained that Virginia's watermen in the lower part of the bay can still catch rockfish after they have migrated from Maryland's waters.

"Besides," he added, "there is more rockfish there than ever before."

State officials disagreed. The ban, they said, will stay until several years of healthy stocks have been sighted. In the meantime, the state has employed watermen to seed oyster beds and survey the bay's population.

Maryland, Pennsylvania, Virginia, the District of Columbia and the Federal Government have spent more than \$200m in the past three years on a cleanup that will have to last at least a decade. It may be three to five years before an improvement can be seen, says Miss Ellen Fraites, an executive assistant to Governor Harry Hughes.

"There will always be ups and downs for the bay," says Mr Bob Prier of the State Economic Development Department. This year the oysters are suffering from the appearance of some kind of parasite breeding in the heavily salted waters as a result of the summer's drought.

As the Chesapeake grew sicker, many of the eastern shore's seafood processing facilities failed. But, according to Mr Prier, a number of young, well-educated entrepreneurs are entering the business. Once the bay clean-up shows progress, they will be well-positioned since all surveys show health-conscious Americans eating an increasing amount of seafood.

Mr Emory "Pie" Edwards, another waterman, expresses hope for the anti-pollution effort. "A lot of funds will be wasted," he says, "but it should do some good."

Meanwhile, he and the other watermen continue their devotion to their backbreaking, frustrating labour.

"When you get out there," he says, "indicating the bay, 'you are free. You don't have a boss. You can get out of your work what you put into it.'"



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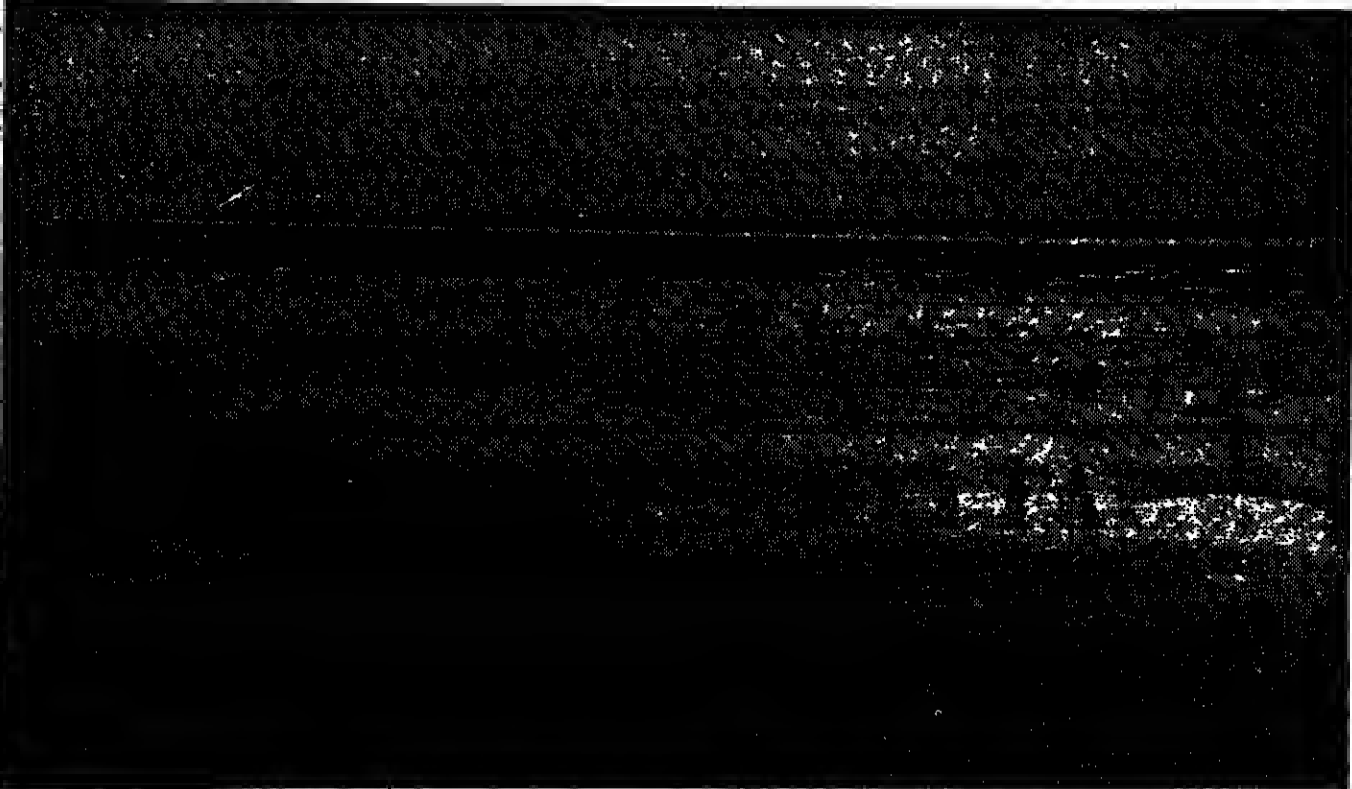
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Tourism

A slice of history

FROM its mountainous western counties to its eastern shore beaches, Maryland has combined its overwhelming natural advantages with development, historic sites, and its proximity to Washington DC, to produce a thriving tourism industry.

Travellers last year spent \$4.4bn in the state, 15.8 per cent more than in the previous year and double the national average growth of 7 per cent.

According to the state tourism office, travel expenditure generated \$4,000 jobs within the state, 4.5 per cent of Maryland's non-agricultural employment.

Much of the growth is attributed to the stunning revitalisation of Baltimore, once the wall-flower of tourist cities. The ribean inner harbour with its shops and restaurants is the centrepiece of the tourism trade, drawing day-trippers as well as conventioners and travellers on their way to the capital.

Clustered around or near the harbour are the National Aquarium, a "hands on" science museum, several glamorous new hotels, an old power plant transformed into an entertainment centre, a convention centre, a civic centre and a festival hall.

Attractions

The beautifully landscaped waterfront is a magnet for activities. Boating, outdoor cruises, and special ethnic festivals. Nearby are a fine selection of museums and art galleries. Fort McHenry where the National Anthem was written—and the famous old Lexington Market for seafood.

The number of visitors to the Inner Harbour and down Baltimore tripled between 1980 and 1984, rising from



Roller skating along the three-mile boardwalk at Ocean City.

2.25m to 6.8m, according to the Baltimore Office of Promotion and Tourism.

Over the same period, expenditure rose from \$125m to \$400m, bringing in major benefits to the city in terms of sales, hotels and related taxes.

The whole state offers a mix of attractions for history buffs—from the Chesapeake, Ohio Canal terminus in Western Allegheny County and the Antietam battlefield of the Civil War to the preserved 18th-century state capital of Annapolis. The Amish and Mennonite settlements still plough their fields in the rural counties, and their buggies and wagons are seen on the roads.

In Southern Maryland, St Mary's county is the site of the first American colonists and the home of a reconstructed statehouse, where the Maryland assembly passed the first law providing for religious freedom. Nearby are plantation houses and grand old mansions and a fleet of watercraft including schooners, steam yachts and cruising yawl. The state's

developers have not obscured the past—few towns do not have their historic homes and small museums.

The state has infinite offerings for sportsmen. The mountains have western trails and bridle paths, fishing, skiing, snowmobiling. Water sports abound throughout the state with its rivers, bay and ocean.

The small fishing villages of Calvert County crawl with vacationers, boatmen and fishermen in season. Ocean City, with some of the finest—and most crowded—beaches on the Atlantic offers swimming, surfing, sailing, fishing, golf, tennis and a three-mile-long boardwalk with amusement parks.

The State Travel Office has made particular efforts to attract a portion of the 11m Canadian tourists who visit the US each year.

After a promotion to Canadian travel writers, tourism from Canada climbed 21 per cent last year. More than 100,000 Canadian tourists are estimated to have visited and spent more than \$6m in 1985.

Upgraded airport

THE growth of the Baltimore-Washington region has been matched by its airport, the Baltimore-Washington International Airport, which has been gradually luring away passengers from Washington's National Airport in Northern Virginia.

When the state took over the airport from Baltimore in 1972, it embarked on an extensive renovation plan aimed at making BWI one of the most convenient airports in the nation. Not only can passengers check in and drop off their luggage at the curb, but there is no walking (or running) for interminable miles. Each ticket-counter has been placed in close proximity to its airline's gates.

BWI now offers a business traveller's service centre with a facsimile machine, copiers, computers, baggage storage and secretarial service. Special "telephone suites"—rooms with phones and desks—are also available for rental.

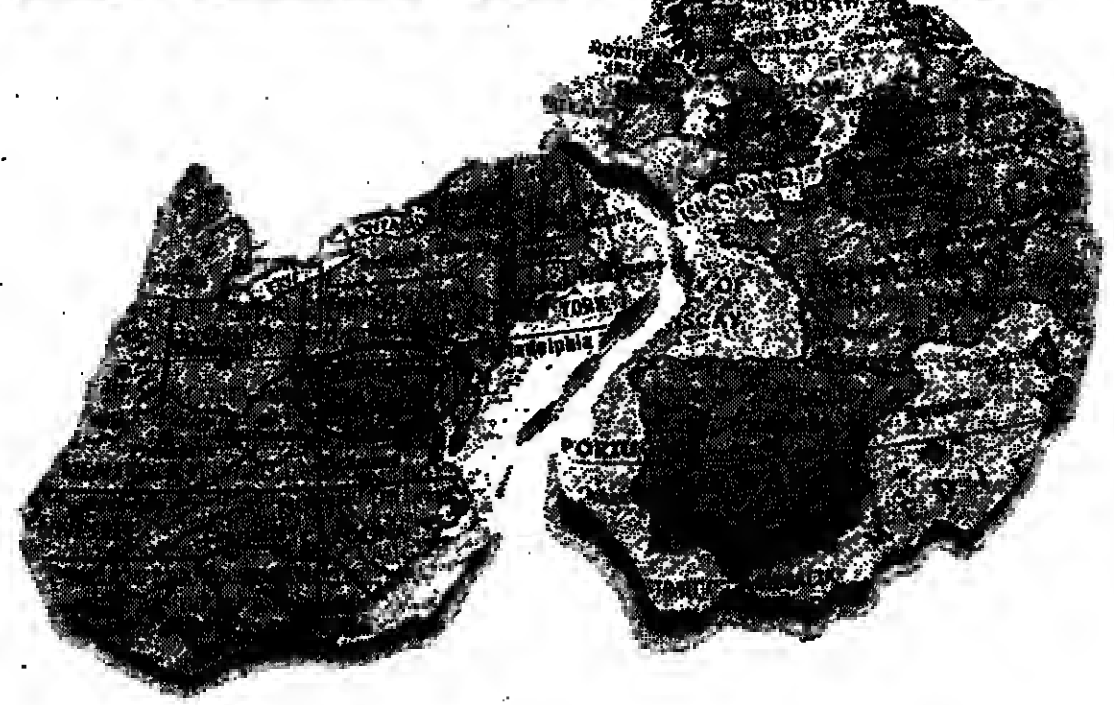
Over each of the past five years, the airport has experienced percentage growth in the double digits. In 1985, the number of passengers rose to 7.8m, a 17.5 per cent increase over the previous year.

The field benefited particularly from airline deregulation as the number of airlines rose. Twenty-six airlines now fly out of BWI, as well as five cargo-only lines, like Flying Tigers and United Parcel Service.

In 1983, the airport added a new hub for Piedmont, which now offers 90 flights a day out and 80 flights on its small commuter service, Henson Airlines, going to small Maryland cities.

The increased traffic has required two expansions of parking facilities in the past two years including the addition of valet and satellite parking.

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# Accountancy Appointments



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of the organisation.

The ideal candidate will be a graduate Chartered Accountant with up to 5 years' post qualification experience. Well developed communicative skills, a strong personal presence and commercial awareness are essential qualities for this demanding role.

The company offers an attractive package including company car, pension scheme and private medical care.

Interested candidates should write enclosing comprehensive Curriculum Vitae to Stephen Doyle ACA at Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor SL4 1BG quoting reference SV1048.



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Our client, the market leader in a specialist area of the communications sector is currently looking to recruit a Finance Director. The company has expanded rapidly over the first three years of its existence and is considering a USM flotation within the near future.

The individual will join a small dynamic management team and in addition to assuming full responsibility for the finance function, will be expected to make a significant contribution to the growth of the company by bringing their commercial acumen to bear.

Responsibilities include providing monthly management accounts, statutory accounts, systems development, tax planning, acquisition and

capital expenditure evaluation and a contribution to the overall management and development of the company.

The ideal candidate will be a qualified Accountant aged 28-38, with excellent communication skills and the ability to relate positively as a key member of a closely knit management team. The excellent remuneration package will include a company car.

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## Group Management Accountant

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# MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

**THE MICROWAVE** oven industry in the United States is set for a shake-up with the introduction this autumn of low-powered appliances from Korea costing between US\$600-900. If they take off, the ripple effect will be felt in the food chain from the farm gate to the family table. The more conservative of the Japanese and American manufacturers are hoping the low-cost cookers will go away. They want to tempt consumers with machines stacked with features that can cost up to \$1,000.

However, the packaged foods manufacturers are excited by the movement towards low-cost machines. As ovens costing less than \$200 have increased their share of the US food market from 10 per cent in 1984 to 30 per cent last year, the number of microwavable products on grocery store shelves has started to escalate. The low-cost oven is appealing particularly to the urban dweller, which is precisely the market that the food manufacturers feel will most readily take to pre-prepared microwavable products.

The major processors' research and development departments are busily formulating their products. Last year, Marketing Intelligence Services, of Naples, New York, reported 112 new "microwave" entries in US stores. "This year, we are expecting to see at least 189 new entries, a 69 per cent increase," says Rick Brook, general manager of MIS.

Last year, according to industry statistics, Americans bought 10.8m microwave cookers (double the per capita sales in the UK that year, when Britons bought about 1m microwave ovens). However, despite a 20 per cent rise from the 8m US units sold in 1984, dollar volume did not show a corresponding increase thanks to predatory pricing. This year AHAM, the Association of Home Appliance Manufacturers, of Chicago, Illinois, forecasts a slight levelling off to 10.8m units, putting microwaves into six out of 10 US homes. The major Japanese players in the US market are Matsushita (Panasonic and Quasar), Sharp and Toshiba—all in the middle to upper end of the price scale; comparable US makers are Litton and General Electric.

But some Far Eastern manufacturers, particularly the Koreans (Samsung is the major maker there) saw a niche in the market for a product that would break the \$100 price barrier to meet the needs of those who just want to thaw and reheat pre-prepared food. This became more evident as shoppers' appetites were being



## Recipe for a low-cost microwave boom

Tony Thompson reports on consequences of changing US eating habits

whetted by more and more products flashed "microwavable" in the supermarkets.

"The consumer, in fine pragmatic style, has decided what the utility of the microwave in the majority of households is going to be," says Graham Denton, chief executive officer of Product Initiatives, a new products consultancy, of Darien, Connecticut.

"Families are no longer eating their meals together; they are not eating three meals a day. Besides we have smaller households, single parents, people who eat on the run," says Denton. "Who wants to re-up a 1 kw oven costing \$1,000 to do a cup of soup when a 300-watt model will do just as well?"

The industry's establishment looks on the tiny 0.4 cu ft 300-watt entries with some disdain as "bait and switch" loss-leaders to draw customers into stores. But Jack Weiszorick, AHAM's director of product marketing, does admit that lower prices have caused the demise of many speciality microwave stores that set up in the early 1980s, and that these ovens are now more likely to be found in the household department than among

the major appliances in many stores. "And at around \$50, they'd certainly make an acceptable anniversary or wedding gift," he says. "But I think these small units will more likely become second micros for the family rec room."

By contrast, north of the border in Canada, where around 1m units are expected to be sold this year to give a 40 per cent saturation, there are no fears of a price war. A major factor here is that, in 1981, the Canadian Government introduced penalties on appliances coming from Japan, Singapore and Korea following representations made by Canaco, makers of General Electric, Hotpoint and store brands in Canada. These penalties are still in place and the industry feels comfortably insulated from a price war.

Cam Thompson, appliance marketing manager of Matsushita Electric of Canada, Mississauga, Ontario, says that in contrast to the price sensitivity of the US, "we are trying to sell features. We have very few machines selling under C\$200." In both the US and Canada, the initial burst of microwave cooker sales was mostly in rural

areas, where home freezer ownership was also the highest. However, most of the new microwavable prepared foods, ideal for thawing and reheating, were aimed at urban families. They are also ideal for use in the low-powered ovens.

Once these virtually maintenance-free appliances are in place in urban homes, the winners will be the successful marketers of products used in them. This thought has not been missed by the packaged food processors in practically every category. Some are beginning to offer microwavable alternatives to protect their market share; others are hoping that the technology will heat up flagging sales.

A good example is popcorn. Americans have been eating the stuff since the Pilgrim Fathers first breakfasted on it. But, even though some 20m quarts of popcorn are consumed each day, it has been losing ground to the potato crisp. One problem has been that it is not only time-consuming to prepare, it also plays havoc with cooking utensils in the process. In a microwave it takes seconds and there is no mess. Dan Miller, sales director of Wyandot, a

major popcorn marketer, of Marion, Ohio, says that "new hybrid" corns suitable for popping in the microwave have been developed "since the traditional grain we used is not always successful".

The result of this bio-technology can be seen on the farms in the mid-West. A farmer will point to three fields of corn, each looking much the same to the unpractised eye, and say: "That one's for plain corn; that one is for popcorn; the other is for microwave popcorn."

The Campbell Soup Company, of Camden, New Jersey, has set up a high-powered task force to take it into the microwave age. Recipes that have traditionally appeared on its packages are all being rewritten for the microwave. The most active segment at the moment seems to be the breakfast category. "For years this has been dominated by cereals," says MIS's Brook. "We are getting a lot of requests to find hot microwavable breakfasts."

Even tea is looking for a second coming. Allied Lyons' Tetley Tea unit has during the past few months introduced a microwave tea in the hope of weaning Americans away from their staple coffee for breakfast.

More promising, perhaps, is General Foods' attempt to re-introduce "cook-in-a-bag" technology, which allows normally perishable prepared foods to be stored on shelves without preservatives or freezing. This process has not caught on in North America. Kraft withdrew its "a la carte" line after a costly marketing campaign; United Biscuits' "Magic Pantry" is still on the market, but struggling for comprehensive distribution.

Anticipating a rebirth for this technology, GF last month began testing "Impromptu," 10 varieties of single portion dinners that fit snugly into the sub-compact microwaves and can be cooked in conventional ovens.

The period leading up to Christmas, traditionally the peak buying months for microwave appliances, will be the testing time for the low-cost cookers. Early signs are that there is a great deal of public interest.

This will not make marketers of full-feature microwave ovens happy, but packaged food processors will be delighted. "At that price, it becomes a cost-effective additional piece of equipment, rather than a main oven," says Denton. "After all, you're not going to put the family turkey in it—you wouldn't get it through the door."

## TV commercials

# A united nations of awards

By FEONA McEWAN

THE TORCH of British advertising creativity—as measured in trophies collected at world festivals—may have dimmed in the last couple of years, but there is evidence this week that it burns fiercely still.

At the International Film & TV Festival of New York, which opened last weekend, while the Americans took the lion's share of medals, the British acquitted themselves with full honours, taking three of the five grand awards and a notable 15 of the total 90 gold awards.

The Festival is reckoned by those who care to be one of the top three world festivals in the advertising calendar, after the French Cannes Festival and the American Clio Awards. This year saw a record entry from 34 countries of 3,700 commercials.

Overall, the Americans scooped the bulk of the awards, a total of 57 golds, for example. The big winners were JWT with six medals and Chiat Day and DDB/Needham each with five. JWT's New York office won four golds (two for Burger King and one each for Kodak and Eckerd Drugs). Its Tokyo office took a gold for De Beers and the London office shared in the gold award to Brooks Bond tea.

BBDO, which won last year's grand award for best TV commercial with Pepsi, repeated the honour with the same client, but a new commercial. It also took a gold for General Electric and Audi Quattro.

Though New York emerged as the dominant creative centre in the gold medal league table, with London some distance behind, the honours covered a united nations of talent.

Australia underlined its growing creative powers, with awards for MDA Mackay King of New Zealand (for Lion Corporation), Campaign Palace (for Apple Computers), Clemenger (for Hoover) and O & M Melbourne (for BMW).

Dusseldorf agencies scooped two golds, Grey (for Lingner and Fischer) and BBDO (for Audi Quattro). Paris took another two with Lintas-Paris (for Corning) and ESCG while GKR Amsterdam (for Brandt Electronics) kept the Dutch flag flying. Agencies in Hong Kong and Sao Paulo were also honoured.



Appeal advertising on behalf of Unicef/Sport Aid won an award for Park Village Productions.

Top British honours went to Yellowhammer which, for the second year in a row, was the most lauded UK entrant. For its spectacular customer service commercials for Barclays Bank directed by Ridley Scott of Bladerunner fame, it picked up four golds (best art direction; best cinematography of a campaign; best direction of a campaign; best director). To cap this it took the grand award for "best creative or production achievement".

For Barclays' marketing team, which has been the butt of much industry comment over its megabudget (three ads cost some £750,000 to produce), the honour will come as sweet music. Though the dubious value of winning awards is not to be confused with the real value of winning custom (the aim of every ad), peer approval is rarely dismissed by those lucky enough to be winners.

Peter Gittos, Barclays advertising chief, hit back at criticism suggesting, as he puts it, he was "naively rebuffing money" at problems. "Defending his decision to make some of the most expensive ads in recent times, he says, research now shows they are working. "Not everyone liked the ads," he says, but in terms of how consumers rate banks and the banks' attempts to improve customer service (which was the thrust of the ads), Barclays claims to be clear of the pack by a factor of 50 per cent.

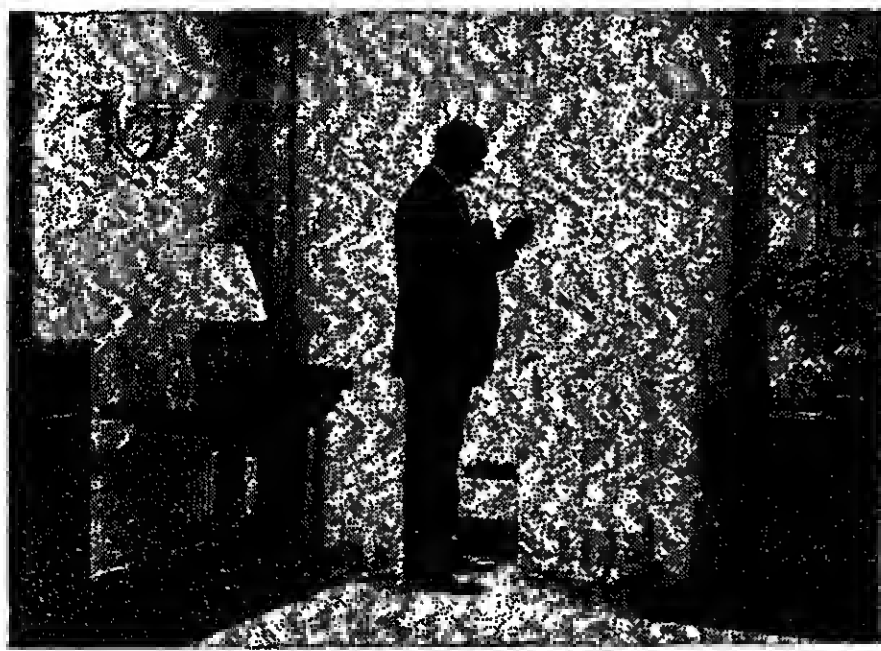
After Yellowhammer, Collett Dickinson Pearce was next in line with three golds (one of only four agencies to score so highly, the others being BBDOs, McCann and Lowe Marshall). CDP's ads were for Gallaher (Condor tobacco and Hamlet cigars) and McSwan's lager.

Other multiple gold winners were McCann-Erickson for Tuborg lager (two awards) and Park Village Productions for its UNICEF/Sport Aid public service work, as well as the "Airport" cinema ad for Levi Strauss.

Single golds went to Barrie Bogla Hegarty (for Audi Quattro); Boase Massimi Pollitt (Greater London Council); Cucumber Studios (Brooks Bond Tea); DFS Dorland (Electricity Council); Gold Greenlees Trott (Boots); Lowe Howard-Spink Marschalk (Heineken); Saatchi and Saatchi Compton (Samaritans); and Wight Collins Rutherford Scott (Caring Black Label).

As well as Barclays, the grand awards went to Park Village for its UNICEF/Sport Aid work and CDP for Hamlet cigars.

Commenting on the British creative standard, festival president Gerald Goldberg said: "It pleases me that the British creative force is doing so well. It first hit me in 1982 when the new wave was coming through but for the past couple of years they haven't done particularly well on the world scene. Now they are back again."



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'Allo, 'Allo/Prince of Wales

Claire Armitstead

Sabotage is not a charge one would lay at the door of Jeremy Lloyd and David Croft. Are You Being Served? is one of the more successful television gems that issued from their combined pens over the years.

Now, in the latest "play of the series" they bring us 'Allo, 'Allo, a comedy of every conceivable cliché which stands up about as well on stage as the infatigable Effie that is the subject of a predictably snappy joke sequence somewhere in the maze of the second act.

But judging by the box office bonanza that has followed the play across the country over the last few months, there are fans enough abroad to keep even this leaky craft afloat. The Prince of Wales souvenirs counter was doing a brisk enough trade in 'Allo, 'Allo mugs and "Lorenz way wearing aly" tee-shirts to convince that not everyone's illusions were shattered on a packed first night.

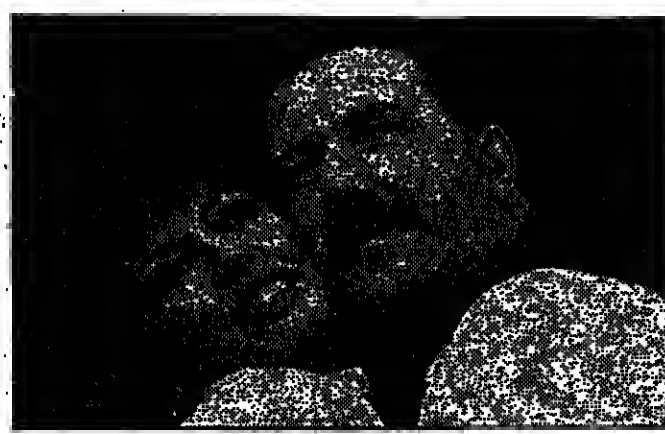
The comedy (and the series) is set in occupied France during the Second World War, where counter-stepping Gestapo officers fraternise with French resistance workers in various guises — from café owner René (Gordon Kaye) to gendarme-faux Crabtree (Arthur Bostrom), an English intelligence officer who

massacres his vowels like a Stukka over Dunkirk.

The familiar faces and mannerisms are featured in this case around the distinctly limp plot of René and his wife Edith's attempts to hide the portrait of the Madonna with the big hooties from assembled Germans, all of whom want to purloin it themselves in lieu of post-war security. There are jokes about sex, more sex, women, gays and Germans, focused largely, it seems, on the old schoolboy staples of sausages and any vegetable perceived to have remotely phallic qualities.

Considering the disadvantage at which such humour places women (most here are bits on the side), Carmen Silveira turns in a plucky performance as the outrageous Edith, whose cabaret turn with the aged Leclerc (Jack Haig) is one of the funnier moments. But the show is, as far as I can see, entirely devoid of anything approaching wit.

It is directed with a furious monotony by Peter Farago who seems to believe that if you pound away long enough you are bound to get your quota of laughs per minute. And judging by the audience's reaction on Tuesday night, he is possibly right.



Vicki Michelle and Gorden Kaye

The Beauty Game/Wythenshawe

Charlotte Keatley

First we had Peter Terson's Strippers at Newcastle Playhouse last year, now Dave Simpson's The Beauty Game opens at Wythenshawe Forum, the Library Theatre Company's beautifully designed second theatre in the concrete morass of housing estates south of Manchester. The beauty competition is a hot topic, a crowd-puller and one which (like the stripping business) women playwrights haven't touched. Why? Because we know that it is impossible to pur-naked women on stage without re-enforcing the exploitation one is protesting against.

Designer Chris Kinnman's wonderfully clear club set includes gold lamé curtains and a palm tree, framed with neon and accompanied by live organ. Podgy Jack Bailey, played with suitable wily vulgarity by Fred Feast, sways down the tartan steps in lace trousers, blazer and boxer crooning a medley: "We've got the bonniest, busiest best bunch of girls this side of Salford docks." The audience then slides into the tacky reality of the Miss Golden Gate Club's 1986 competition, a venal clapping of the competitors as they come and go (this is the appalling defeat of the play). Howard Lloyd-Lewis's sloppy direction and Simpson's script allow the audience to take the situation at face value, but fails to use this opportunity to challenge the audience: why do we watch?

Instead Simpson uses the tediously predictable structure of forestage parades and backstage dressing room chat to

dabble in "women's problems." The six competitors dress, undress and write about any thing smutty, from herpes to pederasty, sometimes all at once. Despite humiliating caricatures and dialogue like wandering cul-de-sacs, Lynda Rooke endows failed Diane with genuine distress and Michelle Holmes finds some strength in trendy Sue. The "surprise" male contestant hasn't touched. Why? Because we know that it is impossible to pur-naked women on stage without re-enforcing the exploitation one is protesting against.

By the end of the play we know nothing about the girls who enter such competitions except that there will always be a whore with a heart of fun (Jill), a leggy lycra bitch (Denise), an older Woman (Karen) and a Truly Stupid (Karen). I found the last two caricatures most horrific. Simpson raises a dilemma of a woman too old to compete for identity on the only terms she knows, and lets her simply sit there while it is out in the dressing room. In Karen he patronises woman and working class culture in one fell swoop, while jokes all at the expense of her dreams of marriage and a patio, her pliancy and inability to handle men. Diane Whitley hurts with brave sincerity, but we feel sorry for the character only because she is a failure rather than angry with the sexism which beauty contests enforce. Such confused psychology is rife from a playwright whose own sexism is revealed most clearly in his chosen final image: it is the male contender who takes the microphone and makes the articulate protest.

Orton in unbuttoned vein

Book Review/Michael Coveney

For a playwright cut down in his prime, Joe Orton is enjoying a long and healthy run. Some of this is due to his talent and the deserved reputation of three plays — Entertaining Mr Sloane, Loot and What the Butler Saw — which will continue to be revived for many years. But the Orton story — "an enduring cult" his publishers call it — has also thrived thanks to the attentions of one particular critic.

In editing *The Orton Diaries* (Methuen, £12.50), Orton's biographer John Lahr has completed a long campaign on the author's behalf and made himself as crucial to Orton's posthumous reputation as was Kenneth Halliwell, Orton's lover, to his early success. Lahr, the son of a vaudeville film star Bert Lahr (whom he also documented in biography form), is beset with notions of fame and celebrity and found in Orton a glamorously narcissistic subject who "polished the wit of his plays with the same delighted concentration that he rubbed baby lotion into his face to make it gleam."

Halliwell and Orton lived in a cramped Islington bed sitting room where, in August 1967, the older man bashed out Orton's brains with a hammer and swallowed 22 sleeping pills. The police found a note: "if you read his diary all will be explained. K.E. P.S. Especially the latter part."

It is Lahr's reasonable theory that Orton's celebrity drove the couple apart, his success and Halliwell's gaudy sense of failure resulting in tension, resentment and murder. Like all good critics, Lahr has often over-stated his case and has perhaps exhausted the potency of his arguments, although the critic manages a smart variation or two in his introduction to the diaries (Orton was "an iconoclast who believed there was no sense in being a rebel without applause"). But just as Halliwell seemed himself a celebrity by killing Orton, so Lahr has won fame by embalming him. He is now on the receiving end of his own ironical strictures, the fate of anyone who so vigorously and authoritatively commits acts of critical appropriation.

The diaries themselves were comprehensively ransacked by Lahr for his matchless 1978 biography *Prick Up Your Ears*



Joe Orton at home beside lover Kenneth Halliwell's collages

(Halliwell's title, incidentally, for a farce Orton was planning, set on the eve of Edward VII's 1902 coronation). They were kept at instigation of his agent, Peggy Ramsay, but cover only the last eight months of his life. In that period Orton is seen settling into his role as a member of the Swinging Sixties elite after the success of *Loot*; preparing a film script for the Beatles; revising the *Crimes of Passion* double bill for the Royal Court; and writing what Lahr describes as his "farce masterpiece" *What the Butler Saw* (Lahr's extravagant verdict was only vindicated, just about, in Lindsay Anderson's

1975 Court revival). Promiscuity, endemic to the lives of many homosexuals, was essential to Orton. He would leave his own first nights and others' boring dinner parties to take a bus up the Holloway Road where he describes scenes of hilarious, tumultuous couplings and multiple slap and tickle in gentlemen's lavatories. His sense of descriptive vision is fantastical and surreal; the participants, like himself, working-class, with a comic visual contrast between Orton's voluptuary sleekness and the underworld drabness of navvies, tramps and dwarfs.

Arts Guide

Exhibitions

**NEW YORK**  
Bevo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center houses the venerable venue's original architectural drawings and cut-away models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.  
International Center of Photography: David Hockney's photo collage show, called *A Wider Perspective*, consists of vistas captured in serial photographs put together with playfulness by the artist. Three films of interviews are also on view. Ends Nov 9.  
Whitney Museum: A retrospective of 180 John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 80 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

shile Gocky, Frank Stella and Henry Moore. Ends Nov 16.  
National Gallery: Henri Matisse: The Early Years, 1916-1930, includes 170 paintings from the artist's life in the south of France, where the light made a permanent difference to his sense of colour. Ends March 29.  
**CHICAGO**  
Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.  
Art Institute: Ten centuries of Hungarian goldsmithing is displayed in a visiting exhibition of 69 pieces covering religious and secular commissions including medieval and renaissance chalices, ciboria, monstrances and reliquaries as well as suites of jewellery. Ends Nov 7.  
**TOKYO**  
Museum of Modern Art: A fine exhibition of some of the most representative art of the period collected by Oshichiyo Dokan. The museum is the former home of a prince of the Imperial Family. In Art Deco style and designed by French architect, Henri Rapin, complete with its abundance of deep fixtures and fittings, the house is worth a visit in its own account. The advantage, too, of the included gardens — both Japanese style with lawns and the Japanese, a strolling garden with carp pond. One of Tokyo's few cases. Tokyo To-Zai Museum, Meguro.

Musie/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

Ends Nov 9. Closed second and fourth Wednesdays.  
The World of the Dragon and Tiger: The artist's sketches and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no reason to think anyone will see his work, he is free to observe and work on variations upon his theme entirely as he chooses. When the artist is a very great one the creative discovery is quite simply overwhelming. Picasso left 175 sketches from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it contains work from 45 of the books. Ends Nov 19.  
**SPAIN**  
Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1890-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tu to Sun: 10.00-21.00. Closed Mondays.

ological scenes reproduced by engravings, tapestries and on Sévres porcelain speed the influence of French cult art over Europe. Grand Palais, closed Tu, Ends Jan 5th (4289 5410).  
**LONDON**  
The Royal Academy: Jo Seis is Cahier — the Sketchbooks of Picasso. It is an artist's sketchbooks and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no reason to think anyone will see his work, he is free to observe and work on variations upon his theme entirely as he chooses. When the artist is a very great one the creative discovery is quite simply overwhelming. Picasso left 175 sketches from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it contains work from 45 of the books. Ends Nov 19.  
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and several engravings by a painter who follows Casatiello and Giotto as close third in the league of Venetian landscape artists. All the works have been lent by the Dresden Museum. Until November 9th.  
**WEST GERMANY**  
Cologne, Wallraf-Richartz Museum, Museum Ludwig, Bischhofsgartenstrasse 1: The new museum, built by the German architect Busmann and Faber, will open this week. The initiative for the museum came from Peter Ludwig, one of the leading German collectors of Modern Art, who has donated about 300 pieces. The museum is devoted to 20th century art. French, German and American painting, including abstract art after 1945, and pop art. Also German art from the 60s to the present. Ends Nov 30. The museum is showing an interesting exhibition of 19th century German and French paintings: romantic, realist and impressionist, with works by Caspar David Friedrich, Wilhelm Schlegel, Max Liebermann, Max Slevogt and Louis C. James Enser, Pierre Bonnard and Edouard Vuillard show the way to the 20th century. Ends Nov 16.  
**ITALY**  
Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, cur: "Precious Ornaments." A large collection of folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily jewelled countrywomen. Until Nov 30.  
Venice: Fondazione Cini, Isola di S. Giorgio: Views of Dresden: Bernardo Bellotto — (1720-1780); twenty

resembles a nurse trying to cope with an autistic child.  
Mr Dunn's dance, which looks more dislocated and madder than heretofore, finds him scuttling about the stage, seeking refuge against a wing, or collapsing and trying with feathery gestures and flailing limbs to extricate himself from various traumatic and dynamic dilemmas.  
There is a large pendant triangle painted by Kenneth Noland hanging over the centre stage, and as the score flared and rampaged, and the occasional phrase emerged audibly from the vocalist (Irene Aebi), my impression grew that this was an evening extravagantly self-indulgent. Reduced to half its two hours length, it might have seemed more bravely experimental and less distracted by its pretensions to meaning.  
But at the heart of it was Mr Dunn, untrifling in skill and in a wild and inconsequential inventiveness, dancing on the outside edge of the improbable and the bizarre, and master of the most allusive and disquieting imagery.

Saleroom/Antony Thorncroft

A view of the New York skyline as it appeared in 1781 sold for £2,970 at Sotheby's yesterday to a New York dealer. It was unusual in that the work was engraved on a horn, probably a powder horn, which was later converted into a hunting horn with a brass mouthpiece.  
The horn carries the British Royal Arms as well as a map of North America and scenes of Quebec and Canadian forts and forts. The price for this rare object was slightly below expectations. In all the sale of armaments and armour totalled £146,500, with 8 per cent unsold.  
This has been a quiet market this year, with few important items appearing at auction. But the level of demand is strong. Top price yesterday was the £5,280 which secured a French gold blined smallsword of around 1740: it had a top estimate of £3,000.  
Dale, the London dealer, paid £4,620 for a pair of flintlock duelling pistols made for Marston of London around 1809 while Christopher Gibbs, another dealer, acquired a French campaign chair-bed for £4,400, the double forecast.

A Royal Naval Officer's sword of around 1828, formerly owned by Admiral Sir George Cockburn, went to a private collector for £4,180. Sir George joined the navy at the age of nine and escorted Napoleon to St Helena where he became Governor.  
The jewels market seems in pretty good shape, judging by Christie's sale yesterday which totalled £97,063 with 8 per cent unsold. A diamond pendant necklace almost doubled its estimate at £44,000 as did a cushion shaped sapphire single stone ring, with a 6.46 carat stone, which realised £31,900.  
The London dealer Richard Greun was buying at Christie's New York Old Masters sale on Tuesday. He paid £27,892 for a scene of shipping, with Antwerp in the background, by the 17th century Dutch artist Jan Van Beecq whose talents took him first to England and then to France. Top price in an auction, which totalled £805,461 with 15 per cent bought in, was the £46,154 for a gold ground predella panel of St Stephen and St Bruno attributed to the Master of the Bambino Vispo. It has a companion piece in the Los Angeles County Museum.

WNO/Birmingham

Max Loppert

Welsh National Opera's touring schedule regularly takes the company to Birmingham, where the latest occupation of the Hippodrome has just got under way. A complete Ring cycle from the largest offering of the two-week stint; also in repertory is *The Magic Flute* and the new *Lucia*. But the season begins on Tuesday with *Un ballo in maschera*, a revival of the superb 1982 production by Göran Järnfeldt.

Wexford's Tancredi/South Bank

David Murray

The charms of Wexford cannot be transported wholesale to the South Bank, of course, and it might have seemed a moot point — among those of little faith, at least — whether one of the Festival productions could survive, least of all, a "semi-staged" away from the circumscribed blandishments of the County. Well, it did. With magnificent support by the H. J. Heinz Company, the Festival soloists, the young chorus and orchestra (the Radio Telefís Éireann Symphony) arrived on Tuesday, with Rossini's early *Tancredi*, and triumphed before a packed house.  
The choice of opera was canny, for the physical action in *Tancredi* is minimal, and could be sufficiently indicated on half the new Elizabeth Hall opera-platform — the other half acoustical, the orchestra, without setting cramping. The chorus left its various warring factions dress at home and appeared in motley black, but the principals kept William Fassmore's effective costumes, John Waterhouse's lighting was discreet, ingenious and greatly helpful. And as with Glyndebourne's costume-cast versions, having a cast fresh from a whole run of Festival performances doesn't brook comparison with any mere one-off affair.

Futures/Bloomsbury

Clement Crisp

I am prepared to put up with a good deal of aggravation in order to watch the American post-modern dancer Douglas Dunn. On Tuesday, at the opening performance of *Futures*, a combination of jazz, poetry and dance. I discovered the limits of that aggravation. The jazz is provided by Steve Lacy with a group of seven musicians and a vocalist who sings — sprechgesang style — the verses of Robert Creeley. These are little lyrics which treat, obliquely enough, of love, and are the presumed basis of Mr Lacy's far-out musical ruminations and the dances of Mr Dunn, who is accompanied by — and frequently at emotional odds with — Elisa Wollaston.  
Mr Dunn, thin, blond, is a virtuoso of post-modernism and a wholly engrossing performer. Miss Wollaston is a generously proportioned lady from East Africa, whose contribution to the evening amounts to padding about the stage, waving her arms in inspirational fashion, and involving herself in tussles, both physical and emotional, with Mr Dunn. The effect is risible, and at moments

Louis Lortie/Wigmore Hall

Dominic Gill

The Canadian Louis Lortie was a prizewinner, though not the first prize winner as some thought he ought to have been, at the last Leeds Piano Competition, 1984. He is a wonderfully gifted pianist, instantly engaging in his musical manner; the technique is as solid as a rock. He also has that rare gift of listening intently to what he plays, forever colouring, shading, emphasising, minutely adjusting. The two sets of Beethoven variations (op. 3 and the Eroica op. 35) which made up the first half of his short recital on Tuesday were a delight for many reasons, but for that especially: each one a brilliant sequence of explorations into the inner voices and colours of the music, underpinned by a firm, but similarly nuanced, rhythmic ebb and flow.  
In his second half Lortie gave a single work, the Liszt sonata. The opening pages seemed a little nervous; but later one realised that was almost a dramatic device — the winding up of a spring, tentative at first, from which the rest of the music drew its energy. The work unfolded. It was an exhilarating account, bright with dappled colours, precisely controlled. I liked his very exact observance of rests and note lengths. Liszt, like Beethoven, never balved a quaver for nothing. Next time round, perhaps Lortie will bring some Schubert, Debussy and Ravel!



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# The limits of Reaganism

EUROPEANS, in particular, have long looked askance at what they see as an unorthodox American political process. They have wondered how it could produce presidents they have never heard of and how it could reject those whom they have sometimes sneakingly admired. They have lamented how little the US, superpower and protector, seems to consider the other 95 per cent of the globe as it resolves its peculiar political problems.

The midterm elections will have compounded this sense of unease. A popular president, Ronald Reagan, who moved right and main to keep his Republican Party in control of the Senate, has been reminded of his own political mortality two years from now and of the shortness of his coat-tails. Moreover, this was brought about in elections which were, indisputably, nasty, brutish and not even mercifully short and which lacked, from the states of Florida to Washington, much resembling national issues and themes, and nothing of international ones.

But, even if far too much money was spent in pursuing far too few voters, the system is alive and well and has its lessons for all. The overriding one is that after six years of Ronald Reagan and a largely uninterrupted string of "policy" victories, the great American jury is, for countless reasons, unpersuaded by all that he has wrought. Reaganism in the US has not it has been demonstrated, shifted the centre of American politics to the extent that Thatcherism has in the UK. The simple proof of this is that the Congress which will convene next January will, in terms of party strength, be remarkably similar to that which inherited after a landslide victory at the start of 1981.

### Both leadership

But, unlike 1981, the US is now in the intriguing position that both its political parties are now, in effect, leadershipless. President Reagan lacks an heir apparent and now, maybe, even the authority to create one. The Republican hard right, which has flourished under the president and which is very influential inside the party, suffered an awful election. It lost not only several of its class of 1980 from Congress but also saw several of its cherished social issues, such as restriction of the right to abortion, defeated in assorted state referenda. This might encourage Republicans, moderates, but, again, there is no consensus as to who might carry this nebulous banner more effectively.

The Democrats, now hot from the cold with a vengeance, must know that a lot of their critical victories in the Senate were by water-thin margins. Nevertheless they have an opportunity to re-establish themselves, simply because control of the Senate gives the

party's heavyweights leverage over the national agenda, a role that Mr Reagan, working with the Republican Senate, appropriated for himself. But the Democrats, too, are far from united. The old Roosevelt-Kennedy liberal wing is weaker than it was, but it is not dead and no clear alternative philosophy or candidate has emerged to capture the heart and soul of the party.

It may help the Democrats that the Reagan menu of supply-side economics and, at least until Reykjavik, a certain muscularity in external affairs, seemed to have reached the coffee stage in any case. The excesses, not least as presented by the budget deficit. The Democrats may still be more inclined to spend on solving social problems such as the farm blight, but they are less likely to do so by printing money, as in the past. The Pentagon can expect shorter commons.

### Real concern

There are some aspects to probable Democratic policies in Congress that the outside world can applaud. Curbing adventurism in central America would be welcomed, as would the growth of Capitol Hill of the arms control lobby. But the sort of protectionist trade bill that the Democrats have in mind would not help international commerce.

Much will depend on how individual Democrats choose to run key committees. A judiciary committee under Senator Edward Kennedy will certainly be more sympathetic to civil rights than the one headed by Senator Strom Thurmond. Mr Kennedy will not be able to erase the conservative stamp on the Supreme Court imposed by Presidents Reagan and Nixon nor level appointments to the federal bench. Senators Claiborne Pell and Joseph Biden can be expected to lock horns with the Administration on foreign policy more often and noisily than did Senator Richard Lugar, though the Republican as he showed in the vote to impose sanctions on South Africa, was no mere presidential poodle.

What Europe, and the rest of the world, can expect in the next two years is a lot less predictability in American policy and much more jockeying for position for the presidential election in 1988. This is not necessarily a bad thing, nor is it unfamiliar. If indeed he is increasingly frustrated, the President's image appeared to have a strong influence on voters' preferences for the Senate — interviewed as they left polling stations, half those voters who said they approved of Mr Reagan's handling of the presidency also voted Republican for the Senate. This year

that figure fell to only a quarter. Although the shift to the right has stopped, there is no convincing evidence voters want a return to the liberal Democratic policies of the 1960s and 1970s with their emphasis on a growing role for the Federal Government. But, judging from the defeats the President's party suffered in economically depressed regions such as the farm belt and from the rejection of Republicans such as Sen Paula Hawkins in Florida, conservative republican policies are no longer seen to provide the answer to the electorate's problems.

## US MID-TERM ELECTIONS

# Spellbound no more

By Stewart Fleming and Lionel Barber in Washington

SINCE he took office in 1981, Republican President Ronald Reagan has cast a spell over the Democratic Party. On Tuesday night, as control of the US Senate began to slip from his grasp, his rivals sensed that finally the spell had broken.

No Republican could be heard admitting this. Instead, with a sleight of hand which has become a Reagan Administration trademark, the President's aides were highlighting his party's impressive victories in several races for state governor, including Texas, Alabama and Florida.

Such success, although they softened the blow for Republicans, could not disguise the fact that Mr Reagan's personal popularity and their party's vastly superior financial resources and lead in the election both sides agreed mattered most, the struggle for control of the Senate.

Now, for the first time since he took office, Mr Reagan will have to deal with a Congress in which both chambers are controlled by his political opponents. Even Mr Reagan's political friends, such as Vice-President George Bush, the Republican front-runner for the presidential nomination in 1988, are conceding that the White House will be forced onto the defensive in its dealings with Capitol Hill.

Mr Reagan's political foes, have interpreted the Senate vote in starker terms. "It is the end of the Reagan era," said Mr Gary Hart, the man whom opinion polls suggest is the early favourite for the Democratic Party presidential nomination.

These partisan interpretations of Tuesday's mid-term elections obscure the fact that the American voter has sent both political parties a series of mixed signals.

The most popular President ever at this stage in his term put his prestige on a line, as he travelled 29,000 miles in the past eight weeks through 23 states trying to rescue Republican senators, some of whom had rejected his policies but were forced to turn to him as defeat drew closer.

In the 1984 elections, the President's image appeared to have a strong influence on voters' preferences for the Senate — interviewed as they left polling stations, half those voters who said they approved of Mr Reagan's handling of the presidency also voted Republican for the Senate. This year

that figure fell to only a quarter. Although the shift to the right has stopped, there is no convincing evidence voters want a return to the liberal Democratic policies of the 1960s and 1970s with their emphasis on a growing role for the Federal Government. But, judging from the defeats the President's party suffered in economically depressed regions such as the farm belt and from the rejection of Republicans such as Sen Paula Hawkins in Florida, conservative republican policies are no longer seen to provide the answer to the electorate's problems.

The governors' contests complicated the picture. Here, the odds were not stacked so heavily against the Republican Party — it was the Democrats who were vulnerable because they were defending most of the seats up for re-election.

The mid-term elections were, after all, dominated by local, not national, themes. In the Alabama gubernatorial race for example, bickering in the Democratic Party handed the Republicans control of the governor's mansion for the first time in 112 years.

In Washington State the issue of nuclear waste dumped by the federal government in Slade Gorton and in Louisiana, a crude Republican attempt to exclude black voters provoked blacks to turn out and cast 90 per cent of their votes for Democratic Rep John Breaux.

Mr Reagan's ability to superimpose his own national themes on such local party politics, breaking traditional party loyalties in the process, has been one of his greatest strengths. The landslide victories of 1980 and 1984 led some observers to speak of the possibility of an historic realignment of the political map, especially in the south, where a traditional Democratic Party stronghold looked likely to fall to the Republicans.

Now, however, many Democratic voters seem to have rediscovered their old allegiance; a sweeping realignment seems to be no longer on the cards. Of more immediate concern to both parties, however, is the political impact which Democratic control of the Senate will have.

Nobody denies that some potentially significant changes must now take place. Not only will the Democratic Party take control of the Senate Majority Leader's office and therefore the power to decide what legislation should be pushed to the Senate floor, Democrats will also take over as chairmen of key Senate committees.

These committees, with their armies of professional staff, their right to investigate the executive branch of government and to require the

Administration to explain its actions to them, are political powerhouses.

Sen Sam Nunn of Georgia, who has recently challenged the President directly over his handling of the Reykjavik summit, will now be able to apply his formidable skills as an expert on military matters as chairman of the Senate Armed Services Committee, succeeding the retired Republican Sen Barry Goldwater of Arizona.

Sen Edward Kennedy or Sen Biden, who fought eloquently to block the appointment of Mr William Rehnquist as Chief Justice of the Supreme Court, could now become chairman of the Judiciary Committee, the body which hears Mr Reagan's appointees to the Federal courts. This will make it much more difficult for the President to push Conservative nominees into Federal court posts.

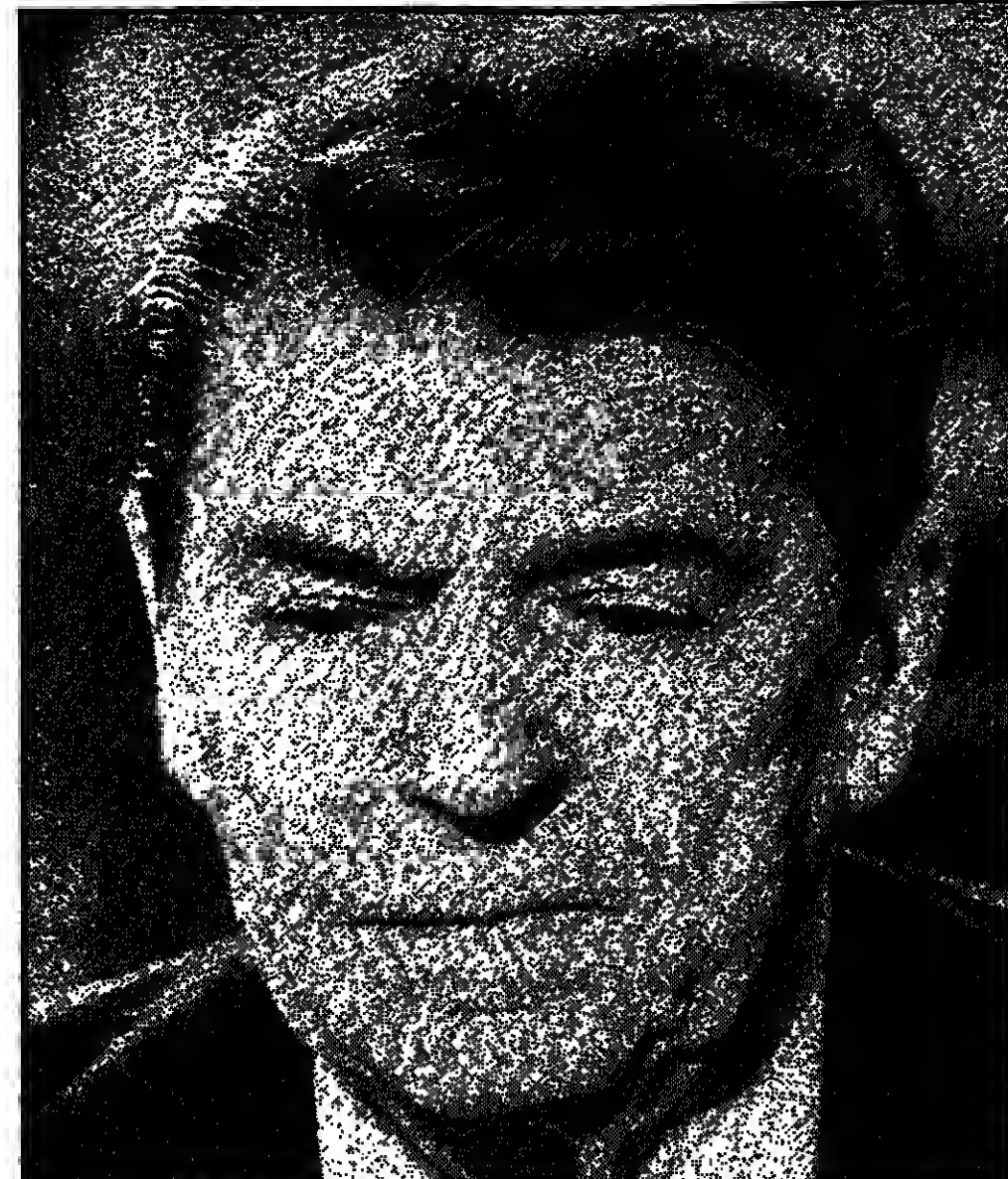
Mr Reagan will lose several powerful allies — such as Majority leader Robert Dole, a presidential hopeful, and Sen Richard Lugar, who has worked with the Administration to restore the prestige of the Senate Foreign Relations Committee.

What the change in control of the Senate and committee chairmanships will mean for presidential policies and legislative priorities is much more difficult to assess.

American political parties are loose and shifting coalitions of geographic, economic and social interests not disciplined monolithic organisations. In some cases — for instance the replacement of Sen Mark Hatfield as chairman of the Senate Appropriations Committee by the 55-year-old Sen John Stennis of Mississippi — it can be argued that the Democratic newcomer is more conservative than his Republican predecessor.

And, as the Democrats in both chambers are well aware, majority status can have its pitfalls as well as its privileges. Sen Robert Byrd, the Democrat from West Virginia, was expected to return to the job of Majority Leader which he held until the 1980 elections quickly stressed that his party will be seeking to work with the White House. "We want to cooperate with the President and pull the Administration back from its extremes to the centre, he said.

The Democrats are well aware that if they are not careful about how they handle their relationships with the White House, Mr Reagan will have a good chance of pulling back to the centre, he said.



controlled House and Senate for the ills of the nation and accusing them of narrow self-interest in obstructing policies which he believes serve national interests.

Such a charge will be all the more plausible if the Democrats hicker too publicly among themselves — and if prospective presidential hopefuls in their ranks appear too concerned with furthering their own ambitions.

It will not be long before divisive issues hit the political agenda. In early February Mr Reagan must present Congress with his budget proposals. Already on Capitol Hill the conviction is growing that the shift in the balance of power is likely to lead to a budget stalemate. The Federal deficit for 1987 is expected on Wall Street to hit around \$180bn even if the economy expands at between 3 and 4 per cent in real terms.

Few expect Mr Reagan to drop his resistance to some form of tax increase to tackle the deficit. But the Democrats are likely to increase pressure to reduce defence spending while resisting further cuts in the non-defence budget. The Republicans in the Senate, set of power, will have less incentive than before to broker a compromise between the White House and the Democrats.

This is not to suggest that the Democratic leadership will return with a plan to cut the deficit. Democrat Sam Nunn, who will chair the Senate Armed Services Committee, believes no less than the

Republicans that strong defence is vital for the country. He is also convinced his party cannot recover control of the White House if voters believe the Democrats are soft on defence.

Within these broad parameters, however, there is ample scope to challenge the Administration's defence spending priorities and to drive home the critique that Defence Secretary Caspar Weinberger has not applied the vast resources at his disposal effectively. Mr Reagan's "Star Wars" Strategic Defence Initiative will come under even fiercer attack.

Democratic opponents of Mr Reagan's policies in Central America and South Africa will also find it easier to challenge the Administration.

Democrats believe that the President's trade policies will also come to the fore. Trade may not have gripped the minds of the voters as a national issue — although it appears to have played a role in Governor Terry Sanford's upset victory in North Carolina. But politicians on both sides of the aisle sense that even though the trade deficit may be declining slightly from the anticipated \$170bn for 1986, it is still too high and that a tougher, more protectionist trade stance, as well as a broader debate about the underlying competitiveness of the US economy is something they must address.

Both parties saw their performance in the mid-term elections as an indicator of their standing with the voters on the eve of the long 1988

presidential election campaign which will increasingly become the focus of attention.

But there are too many unknowns to draw firm conclusions. How well or badly will the economy perform over the next 18 months? Will Mr Reagan succeed in working out an arms control agreement with Moscow. Who, from the dozen or more candidates who have scarcely disguised their ambitions, will finally emerge as the 1988 presidential candidate and will they be able to unite their parties behind them?

Nonetheless both parties can draw some comfort from the mid-term results: the Republicans from their gains in gubernatorial contests and from the fact that they did not suffer serious losses in the House of Representatives.

For the divided and leadershipless Democratic party, however, the shift in control of the Senate — and faint signs that some of those who deserted their party for the charismatic appeal of President Reagan are still prepared to vote democratic in national elections — provides a boost to morale which should not be underestimated.

For the Democrats, there remains the hope that President Reagan's mis-statement in his last campaign speech may turn out to have a prophetic ring. "Democrats," Mr Reagan told a rally in California on Monday, "can no longer follow the leadership of a Republican Party which has taken them down a course that leads to disaster."

## After the BBC counter-attack

THE self-defence mounted by the BBC to the charges brought against it by Mr Norman Tebbit proves to be robust. On the surface it is a courteous retort. The governors, led by their chairman-designate Mr Mair Maduke Hussey, say Mr Tebbit is perfectly entitled to express his views; it just happens that he and his researchers at Conservative Central Office got nearly all their facts wrong. The message between the lines is a little tougher: we appreciate all the fuss about our independence, but we are quite capable of looking after ourselves.

### Public issue

Here the matter will probably end, which is both good news and bad news. The BBC should certainly defend its editorial independence; but it should also be responsive to criticism of its standards. Part of the charge against it was not a matter of facts, but of tone; and this is a case where the BBC does not choose to answer.

Objectivity is not just a matter of collecting facts from the best available sources, but of their presentation, and the BBC does tend — more often than its commercial rivals — to lapse into a rather strident journalism in presenting its facts. Such phrases as "the long arm of Libyan vengeance" should have no place in an objective report (it was actually used in the one report which was not objective, but based on widely-shared but wrongly based speculation). There could be a case here for higher standards.

The fact that the case is not answered here is sad but understandable. The Conservative criticisms of BBC news coverage of the Libya bombing in Libya in April was never accurately measured in tone. The corporation stood accused of offering a mixture of news,

views, speculation, error and uncerberian carriage of Libyan propaganda. This message was delivered without the normal courtesies: details of the allegations, contained in a 12-page memorandum compiled by Conservative Central Office, were carried on Independent Television News and in the London Standard before they reached the acting chairman of the BBC, Lord Barnet.

In the normal course of events it would be tempting to dismiss the episode as mere background noise in the political debate. The relationship between politicians and the media is close but uncomfortable, which necessitates some occasional venting of frustration on the political side. Yet in this case the attack comes when a general election is looming and the future of the BBC is being discussed in Cabinet committee. It also has the support of leading members of the Cabinet, including the Prime Minister. It is not surprising then that the BBC's Director General was particularly incensed by one phrase in Mr Tebbit's attack, when he argued that the "increasingly subjective and confrontational" approach of BBC news coverage might be incompatible with public funding.

This phrase was surely intended not as a threat — as Mr Milne suggested — but as a reminder of the standards expected of a public body, not one that is a partisan would think of demolishing the BBC on the basis of a single questionable bulletin. If the Government is worried about standards, it should by all means continue to make a public issue of them; but it should also put its regard for the BBC's independence beyond all doubt. The simplest way would be to adopt the Peacock Committee's proposal that the television licence fee should be indexed.

### Davies finds new land

David Davies, late of Hong Kong Land fame, had a busy day yesterday. He turned up in Singapore with a new directorship at Singapore Land, another large property company with a whopping big debt, while halfway around the globe in London, Hill Samuel announced that he would be rejoining the merchant bank as a non-executive director.

The announcements answer at least some of the speculation about his next moves after resigning — on a "question of principle" — four months ago as managing director of Hong Kong Land, one of the world's largest property companies.

Davies was something of a white knight who joined Hong Kong Land in 1983 when it had HK\$16bn of debt and many bets were being placed on its collapse. That debt had been halved when he left.

Apparently, Davies did not like the way that Simon Keswick, chairman of Jardine Matheson, was steering Hong Kong Land, living off Dairy Farm, a cash-rich company that gave Hong Kong Land a cushion of security while it continued to recover.

Davies says he expects to spend about half of his time in Hong Kong, East, tending part of a collection of what he hopes will be five or six "semi-executive" directorships. With a couple of possible exceptions, he does not know yet where he will be setting up house.

"I'm not in any way operational here at all," he says of his Singapore job. He is an old friend of S. F. Ho, chairman of the company, and may have some advice to offer on year on sales of \$34m. Leavenworth must be the envy of many in the US rag trade. Under the watchful eye of associate partner in charge of Industries, Frank McGee, the oldest and one of the toughest prisoners in America (it was built by inmates 80 years ago) has diversified away from canvas mail bags into the

## Men and Matters

Samuel's interests in Asia, which are not doing so well.

### Political notes

The West German defence minister, Manfred Woerner, emerged as a singing star yesterday when he won a radio award as the best vocalist among the country's leading politicians. Woerner scooped the Golden Raven award from Radio Luxembourg for his version of the old German soldiers' song *Muss I denn*.

The second prize went to Hans-Jochen Vogel, parliamentary leader of the opposition Social Democrats. He won the Silver Raven award for his slightly less melodic delivery of an old socialist campaigning song.

Woerner admits to regular practice sessions in his bath.

### Inside jobs

Few in the hard-pressed US textiles industry can match the 22 per cent profit margin of one Kansas-based, T-shirt maker.

Then, few are paying their workers on such a modest scale as 22 cents minimum an hour, ranging to \$1.10 maximum. With profits of \$7.5m last year on sales of \$34m, Leavenworth must be the envy of many in the US rag trade. Under the watchful eye of associate partner in charge of Industries, Frank McGee, the oldest and one of the toughest prisoners in America (it was built by inmates 80 years ago) has diversified away from canvas mail bags into the

production of mattresses, furniture, paintbrushes, and the T-shirts.

The business employs about 500 prisoners who, says McGee, earn on average \$130 a month. He calls it "take home" pay, because the rest goes to the State. Goods are sold only to government agencies. The T-shirts are for the army.

Workers are entitled to one week's annual holiday. However, their choice of where to spend it is necessarily limited.

### Shell shock

BP Oil has struck a little embarrassment on the site of its new national headquarters, just off the M1 at Hemel Hempstead in Hertfordshire.

Right next door is a Shell service station — and as if that were not enough, there is another Shell station just across the road.

BP denies that efforts are being made to buy the station from its competitor.

But, I gather, construction workers on the site have been instructed to drive their machines to the other side of town to fill up with petrol at a BP station.

### Separate tables

It is both symbolic and practical that the Technical Change Centre in Crownwell Road, London, is externally decorated with anti-climb paint. It slides off as you try to scale the walls.

Inside, four new managers with a £1m annual budget are busy thinking up projects designed to win support from industry.

The new director, Geoffrey Cooper, has recruited three assistant managers, Dr John Irvine, a social scientist from Sussex University, Dr David Badd, former research director of the CBI, and David Roberts,

son, formerly with STC/ICL, who will sharpen the centre's lines of communication.

The new team is out to win the attention of industry. Innovation, they say, is the name of the game for Britain's remaining industrial base.

The point could not be better put than by one of their actions. They sawed up a big boardroom table into two small tables which can then be assembled — like Leggo — to adapt to any situation.

### Indian festival

For Indian businessmen everywhere, this week marks the start of a new financial year — and an occasion for offering thanks to Lakshmi, the goddess of prosperity.

It is Diwali, the festival of lights, marking the beginning of the Hindu new year, 2043 on the Vikramaditya lunar calendar.

Srichand Hinduja, who, with his three brothers, runs the multi-million dollar Hinduja international trading, banking and oil group, tells me that the festival is increasingly celebrated in the UK as a cultural link between India and Britain.


Hinduja gave a reception in London last night for 1,000 guests — and the capital's other celebrations in the past week or so have included a reception given by the Hongkong and Shanghai Banking Group, a charity ball and a party.

### Slippery customer

I don't really wish to know that, but thank you anyway, to the entomologist in the British Rail guard's compartment on the 14.48 running late from Leagrave to St Pancras yesterday afternoon.

Falling leaves were interfering with wheel-to-track contact, he announced. The problem was compounded by the insect quality and quantity in the leaves.

Presumably in the interests of preventing traveller-to-track contact, the speakers cracked again as the train pulled in. "Passengers will find the platform to the left of the train."



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ECONOMIC VIEWPOINT

# The yen-dollar and bank lending

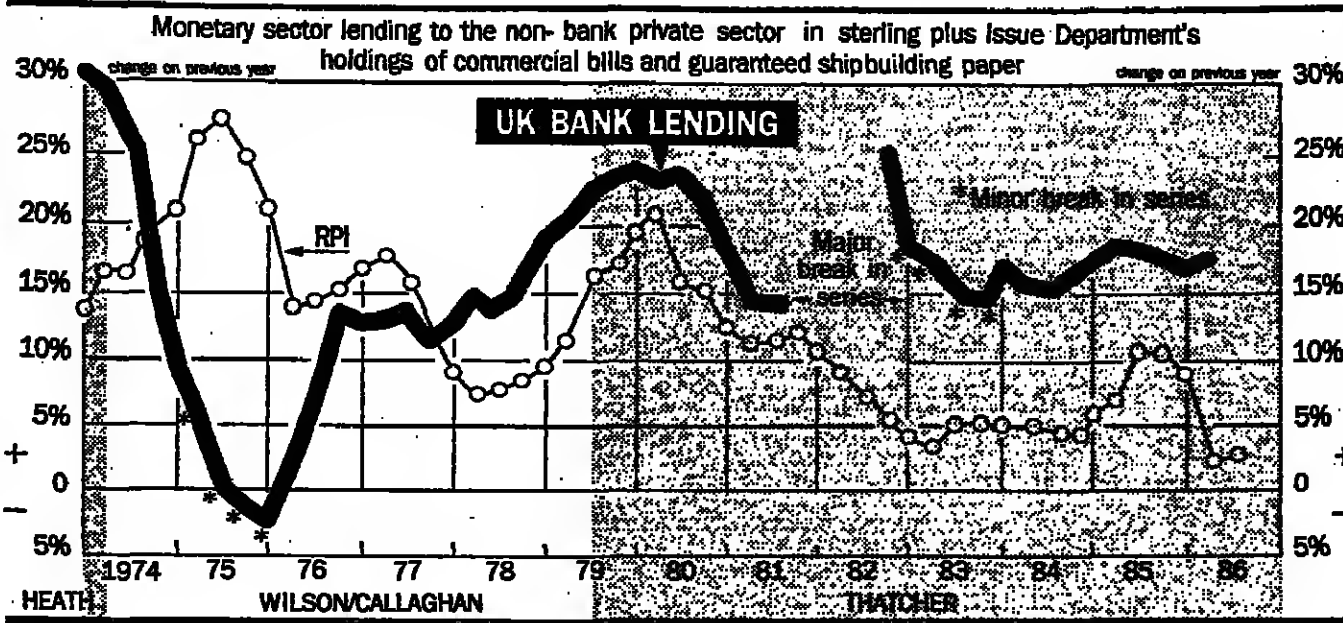
By Samuel Brittan

THERE IS little doubt that the Americans and the Japanese can maintain a stable dollar-yen rate if they wish to do so. But last week's agreement between the two countries leaves room for doubt about whether there really is a range within which the two countries are prepared to confine their currency movements. No range has been published; nor has either government indicated what action it would take if market forces threatened to move outside.

Intervention alone will certainly not be enough, or rather the traditional sterilised intervention which is not allowed to affect domestic monetary policy, will not be. There is only one way to make an exchange rate target stable: this would be for the Japanese to loosen their domestic monetary policy if the yen becomes too strong and for the Americans to tighten theirs. When the dollar is too strong, on the other hand, the Japanese would have to tighten policy and the US to loosen it.

This is only another way of saying that the relative supply of yen and dollars needs to be adjusted to maintain a stable price ratio between the two. But who should do the adjusting and in what circumstances? Without some rules, the whole arrangement could be widely inflationary — or deflationary. The old idea of a combined monetary target for the two countries fails because of the difficulty of measuring money and the unpredictability of velocity. The modernised form is a velocity-adjusted combined monetary target, which is more than one old friend Nominal GDP. If the combined US-Japanese Nominal National Product were rising too quickly the emphasis would be on action by the country which had to do the tightening up to maintain the parity range. If GNP were rising too slowly, the emphasis would be on the country due to relax under the rules.

The American and Japanese are a long way from joint monetary arrangements. But if the new arrangement is to be more than a device to help them have to try to move in that direction. The prize will be not the chimera of a zero Japanese trade surplus with the US, but much more attractive one of a joint monetary area, where the balance of payments between Japan and the US matters no more than the balance



between Texas and California does at present.

Any trend to free the dollar and the yen, however shambolic and uncertain, will put more pressure on the D-Mark as the odd currency out. Initially it weakened in reflection of the stronger dollar. On other occasions the pressure will be the opposite. The prospect is for increased volatility for the D-Mark which will put pressure on Bonn to come to terms with Tokyo and Washington — which is, of course, part of the general idea.

Meanwhile, the slight weakening of the D-mark, while partly welcome to West Germany, is also taking a little of the pressure off sterling. It remains to be seen whether the relief survives the Autumn Statement expected today, which will show Government spending inflated by surrender to public sector unions.

Let us use the short interval to look at domestic UK monetary indicators. But before doing so, I would recall a warning by a visiting American professor called in to advise on research funding. "You Brits don't seem to like percentages." This falling is particularly striking in relation to bank lending. While the monetary aggregates rose or the sterling-D-Mark rate are regarded as reconcilable matters, many people

feel in their bones that the rise in consumer credit or bank lending — they do not always distinguish between the two — bodies nothing but trouble.

Yet despite all this concern, bank lending is officially reported in terms of absolute changes in millions of pounds. Nor do most of the brokers' circulars which raise the alarm on the subject tell us at what rate bank lending is increasing.

In the accompanying chart, I have therefore plotted bank lending to the private sector — defined to include the Bank of England's "bill mountain" — as a percentage of broad money, going right back to the peak of the Barber boom. These figures are available for the end of each quarter only, the latest referring to June 30 1986.

There is, of course, a close relation between bank lending and measures of "broad money" such as Sterling M3. For bank lending is the main part of the assets side of the bank's balance sheet; while the bank liabilities form the greater part of Sterling M3. Thus bank lending and Sterling M3 may be expected to move in roughly similar directions. The differences are caused by factors such as "non-deposit liabilities," or assets such as marketable investments and premises, and complications on the external side. The chart does not suggest

that bank lending is any better as a guide to inflationary movements than Sterling M3 itself.

At the top of the Barber boom lending was rising at 30 per cent per annum. But the run-down to negative lending in the 1974-75 recession gave a much exaggerated idea of the forthcoming drop in inflation, even allowing for a one- to two-year lag.

The pick-up in bank lending, which rose to over 20 per cent in 1978-79, may have given warning of the upturn in inflation, but the lending figures gave no advance notice of the 1980-81 recession and were, if anything, more a lagging than a coincidental indicator.

An upward spurt in bank lending in 1982 gave a spurious signal, as it was followed by a further fall in inflation and a continuing modest upturn without overheating. In the most recent three or four years bank lending growth has remained steady at 15 to 18 per cent, without so far leading to rising inflation or a runaway boom. The same financial and behavioural changes which have reduced the value of sterling M3 as an indicator have — not surprisingly — had a similar effect on the value of bank lending as an indicator.

The worries about inflation I expressed in this column last

week were mainly based on the absence of any official policy for putting a floor under sterling.

They were to a lesser extent based on such indicators such as consumer spending and imports, and the upward pressure on pay and house prices in south-east England at a time when jobs are hard to find in the north. These fears were underlined by indicators of capacity utilisation and vacancies, which, while not yet alarming, are far higher than would normally be expected at current unemployment rates.

There is no end to the number of credit indicators which could be estimated. It should be possible to assess the percentage growth of credit, taking into account building society lending, which would be the counterpart of the Bank of England's liquidity measures. There could even be an attempt to take in credit granted outside the financial institutions, eg trade credit. But it must be reported that the US Fed, which now has, after such prompting from Wall Street, a broad credit target, has done even less well in tracking inflation with this measure than it has with the monetary aggregates.

The dread of bank lending arises partly from an instinctive belief that such lending represents a net injection of funds into the economy financed by

money creation unconnected with genuine savings. But this assertion does not survive too much reflection, as the growth of bank deposits on the liabilities side of the banks' balance sheets may well reflect "genuine" savings, especially at current real interest rates.

I fear that the attempt to distinguish between lending financed by savings and the mere pyramiding of credit by an examination of lending source, is doomed to failure.

The best inflation indicator for a country like the UK remains sterling's rate against the currency of the major non-inflationary trading partner, ie the D-mark. The best overall demand indicator is money times velocity, or Nominal GDP, which can be measured without deciding on any unique definition of money.

Most of the concern over bank lending and credit represents a confusion between monetary policy and prudential regulation. An example is the Prime Minister, who is extremely reluctant to raise interest rates to protect sterling (or for any other reason) and who has presided over the liberalisation of the financial system. Nevertheless she flares up whenever she thinks of the rise in bank credit and forgets everything Sir Alan Walters has told her about concentrating on "narrow money."

Indeed, she has been known to interrupt technical arguments between broad money and narrow money advocates by denouncing credit cards as the root of all evil, and inveighing against banks who dared to write to her increasing her personal credit limit.

Yet with further inconsistency, she is strongly committed to the single main distortion which favours excess credit, namely the tax subsidy for mortgage interest which spills over into consumer lending. If there is any prudential danger it arises from the boom in house prices, which has increased the net worth of the personal sector, despite all the borrowing. But the personal sector could go into the red when — not if — the house boom falters. Reason would be a better guide to credit policy than the unhelpful pruritanism which so many display at the mere mention of money and credit, combined with inconsistent backing of the very measures which inflate the totals.

The dread of bank lending arises partly from an instinctive belief that such lending represents a net injection of funds into the economy financed by

## Lombard Mr Kohl's view of history

By David Marsh in Bonn

MORE THAN 40 years after the end of the war, no one would contest the right and need of the post 1945 West German generation to unload the burden of guilt which has sometimes bowed down the country unjustifiably in recent years.

The present centre-right government in Bonn, headed by Mr Helmut Kohl, the first federal chancellor who is too young to have been involved in the war, on the face of it should be ideally placed to map out for Germany a new world role facing the future rather than burdened by the past.

the cloud over Soviet-German relations will no doubt pass.

Another passage in the same interview which has not attracted the same amount of attention, is even more disturbing in the fundamental questions it raises about the Chancellor's view of history.

### History

Mr Kohl, arguing the need for patience over East-West disarmament talks, says: "We Germans have some experience with confessions of this kind where top people meet and think that they would have to decide on the fate of nations. We remember recent history: Tehran, Yalta and in 1938 Munich — Chamberlain, Daladier. The 12 hours that decided the fate of the world. We experienced the consequences."

This omits grotesquely that Hitler as the aggressor (as well as Mussolini who of course exercised a restraining influence) was also present at Munich. It makes a mockery of Chamberlain's efforts, however misguided, pathetic in their sincerity, to come to Germany not once but three times in September 1938 to try to avert a war born of Nazi aggression. It is, at the very least a curious statement, and requires as much explanation as the Gorbachev/Goebbels jibe.

Mr Kohl, who for years in Germany has laboured under the image of a loser, is now the Federal Republic's longest serving conservative Chancellor since Adenauer. Running an economic policy which has proved to be more successful than President Reagan's or Mrs Thatcher's in laying the foundations for inflation-free growth, he now has every reason for more self-confidence.

### World issues

He is entitled to speak his mind, more, perhaps, than Germany has done in the past, on world issues. He is entitled to say that evil was done on both sides in the war, not just by the Germans.

What he is not entitled to do is to start re-writing history. That would look like confidence turning into arrogance.

### Respectable

Unfortunately, although Mr Kohl's motives in trying to free post-war Germans from the original sin of 12 years of Nazi dictatorship may be perfectly respectable, some of the methods he is using appear to be suspect. And they could hinder rather than help achievement of the objective.

Most international political leaders are guilty from time to time of seeing the world from an egocentric viewpoint. A German chancellor, however, has to be more careful than most about making statements concerning a war for which, whatever may be said about the unbalanced nature of the Versailles treaty or the mistakes of the Allies during the 1930s, Germany was finally to blame.

Mr Kohl's backing together in an interview with Newsweek last month of Mr Mikhail Gorbachev and Josef Goebbels, the Nazi propaganda chief, as being both experts in "public relations" was gratuitous. The clearing of the interview text by the Chancellor's own public relations people was incompetent, but the remark was probably not calculated as a downright insult to the Soviet leader.

### Embarrassing

Mr Kohl has been forced to make an embarrassing apology to the Russians and will probably do more in his statement before the Bundestag today to repair the damage. But

## Great profits conspiracy

From Mr G. Thompson

Sir, — I cannot let Michael Prowse's article (The great profits conspiracy, October 30) pass without comment. I imagine the article was intended to stimulate thought, but it contains an attitude towards balance sheet values and hence profits every bit as misleading as the historical cost convention he criticises.

There is no single "correct" value of any asset and thus no single measure of profit. It all depends on why you are measuring profit. Few would argue that current cost accounting is an appropriate technique when assessing the health of a business and its ability to continue trading. It is inappropriate, however, when assessing the effectiveness of past investment and stewardship; constant purchasing power accounting gives a better indication of this. Michael Prowse's suggestion that a balance sheet and hence a profit based on an asset's value in its "most profitable alternative use" may also be appropriate on occasions but only surely in considering whether the business assets would be better employed for another purpose. Successful conglomerates presumably use such an approach when assessing acquisitions and disposals; but I doubt that they would find it helpful when assessing the performance of an on-going business.

If we accept this view that no one measure of asset value or profit can be universally applicable, then perhaps our approach to the preparation of accounts should involve the provision of sufficient information to allow those reading and using them to draw their own conclusions. This avoids the inherently inconclusive argument over the merits of various approaches. A satisfactory compromise might be to publish accounts on a constant purchasing power basis thus removing the effect of money inflation. Such a system is simple to prepare with modern data processing and, more important, simple to audit. Such accounts should be supported by a separate statement of current cost adjustments generally in line with the recommendations of SSAP 16.

This combination would give most readers of the accounts all they needed to assess the company's performance. It still leaves out Michael Prowse's "most profitable alternative use" valuation. This must surely be left to the imaginative and perceptive reader. There are sufficient corporate raiders around who already do this job

## Letters to the Editor

well without insisting that a company spells out the opportunities for them. Graham Thompson, 108, Pennsylvania Rd, Exeter, Devon.

### Re-shaping an industry

From Mr D. Field

Sir, — I would like to add further support to your editorial "The re-shaping of an industry" (October 30). Approximately 25 years ago, after completing my introductory training, I was appointed co-ordinator for a major capital investment project in Belgium. As a result of the appointment I travelled with the group technical director on a number of occasions. During these trips the director suggested that for a UK paper group to survive and prosper it needed to concentrate on technical papers with a high added value using pulps from several sources and, if necessary, made in short runs. The reasons for his views were based on the shortage of supply of suitable UK trees and therefore the non-feasibility of a policy based on long run production excellence.

With sound leadership and a thought-out policy, mature industries could prosper. It is also interesting to note Wiggins Teape's plans for success were laid down more than twenty-five years ago. David M. Field, Oakland, Weston Underwood, Olney, Bucks.

### Judicial duties

From Dr C. Gibson

Sir, — Your legal correspondent (October 30) pinpoints some of the current problems and issues within the summary courts. Within our legal structure the unpaid lay magistracy (88 per cent) of the great bulk (88 per cent) of criminal court cases, (criminal and civil) work before magistrates' courts is causing pressure to be put on justices to volunteer more time for judicial duties.

Today's post brought a court questionnaire asking me to tick one of five boxes indicating the number of sittings I could undertake annually. The three upper level responses ranged from sixty to two hundred

sittings. (When does one cease to be a "lay" magistrate?). Employers could not tolerate such levels of absenteeism from either the office or factory floor. Young (say under forty-five) persons with suitable qualities and fresh minds will be increasingly de facto debarred from this work because excessive court demands handicap their careers.

A consequence is that the magistracy will have less chance of achieving Lord Hailsham's ideal of "as broad a spectrum as I can achieve of social background and occupation." Rather, it could become dominated by the self-employed, the housewife, the retired or those near retirement, and employees of local authorities, and so on, at the time (though at the risk to promotion).

There is need for the Lord Chancellor's Office to undertake a national survey that would provide information on such matters as the number of sittings magistrates undertake, analysed by factors such as age and occupation. An efficiently organised judicial system does need to have sufficient information about the 27,000 magistrates who dispense justice in the people's court. (Dr) Colin S. Gibson, Royal Holloway and Bedford New College, Egham Hill, Egham, Surrey.

### Short term gains tax

From Mr I. Andrews

Sir, — The suggestion by Mr Dale (November 1) that short term capital gains tax should be re-introduced in order to penalise the so called "short term attitude to profits in the City" pays no attention at all to the cause that gives rise to such an attitude.

Stock markets both in the UK and overseas must not only endeavour to discount probabilities but they must also adjust to the political and economic environment with which they are confronted. Anyone who suggests, therefore, that the City is more concerned with short term performance rather than longer term interests of the industry and the national economy as a whole should understand that such concern has been brought about by a

combination of factors not only political and economic but also many others of a national and international nature. If greater stability in the world economy were to emerge, then stock markets would undoubtedly adjust accordingly.

It is also hoped that no Government would again be so foolish as to introduce this ill conceived tax which does nothing but damage the fluidity of markets, distort price movements and hamper investment decisions. I. E. D. Andrews, 5 Giltspur Street, ECI.

### Counting the unemployed

From Mr S. Schattmann

Sir, — In his excellent article on unemployment statistics (October 30) Philip Stephens emphasises that the official figure only measures the number of people claiming benefits. Those seeking work but ineligible for benefit are not counted.

Yet the unemployed count of every other member country of the Community is based on registration without the essential nexus of entitlement to benefit. And some countries, in contrast to the United Kingdom, do not insist on full-time work. The Federal Republic of Germany registers as unemployed anyone seeking work for at least 19 hours per week. In the case of Spain, the Netherlands and Luxembourg the threshold is 30 hours. Denmark registers full-time or part-time employment.

Is this a case of Continental governments being less enlightened than our masters? Stephan Schattmann, 65c Wigmore St, W1.

### The fertiliser market

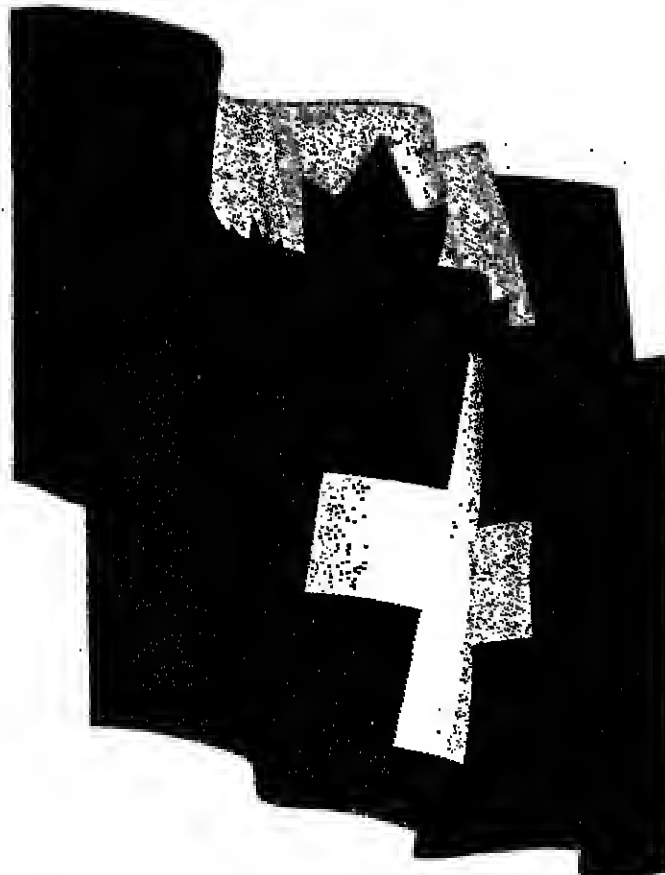
From Mr W. Guinness

Sir, — In Mr Jackson's article on Fertilisers (November 3), he states that urea is "the Western European equivalent to ammonium nitrate."

I am quite sure that Mr Jackson knows better than this: urea (solid form) is simply a different form of nitrogenous fertiliser (a nitrate, possibly more acceptable environmentally) which many of us farmers are pleased to use if we can get it. ICI has a huge urea plant at Billingham but will not sell it in its solid form to UK farmers.

I cannot now see why ICI should be that it is losing market share to those who have been prepared to supply this product at a competitive price. Might I suggest this is the penalty for restrictive practice? W. L. S. Guinness, Arthingworth Manor, Market Harborough, Leics.

## Business as usual, done unusually well.



On September 18, 1986, the Dow Banking Corporation of Zurich ceased to exist. It became, at the stroke of a pen, the Royal Trust Bank (Switzerland).

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Roger Matthews reports on claims that Washington offered military spare parts to woo Tehran

## Why Iran remains the Gulf's biggest prize

*'America is the Great Satan. America is corrupt. America is a hollow drum. America can't do a damn thing.'*

These four slogans, according to Iran, are part of the daily language of the Iranian people and have been written in the history of the Islamic Revolution "in the boldest and most beautiful letters."

They seem, however, to have had little impact on Mr Robert McFarlane, the former US National Security Adviser, if indeed he did visit Iran in September and bring with him spare parts for military equipment.

If the trip took place, and in Washington yesterday there was increasingly widespread acceptance that it had, it could prove to be one of the most bizarre US diplomatic initiatives in recent Middle East history.

It is already raising questions about several matters: The conduct of negotiations over Western hostages held in Lebanon, the commitment of the US to its arms embargo against Iran, the relationship between the US and its conservative Arab allies, who are appalled at the prospect of an Iranian victory in the six-year Gulf war, and about the reliability of the US intelligence gathering system.

Anti-Americanism remains one of the fundamentals of the Iranian revolution, at least while Ayatollah Khomeini is in power and probably for as long as there is a clerical regime in Tehran. The US is viewed by Khomeini and many of those closest to him as the deadly enemy - past, present and future - of everything for which the Islamic revolution stands. It is believed in Tehran that the US is committed to strangling the revolution and that all its actions have to be seen against that background.

For both the US and the Soviet Union, Iran remains the great prize

in the Gulf. With its population of nearly 40m, its substantial military forces, its oil, its relatively broad-based economy, and its long coastline facing the other main regional oil-producing nations, Iran has the capacity to be the dominant regional power. Although both superpowers are giving active support to Iraq in the war, Iran is the country on which their eyes are fixed.

Reports of Ayatollah Khomeini's collapse, physical or political, have surfaced regularly since he returned to Iran in 1979, as have suggestions of fierce power struggles over the succession. Although neither Washington nor Moscow have yet found a way of winning more decisive influence in Tehran, there is little doubt they are both alive to any perceived opportunity.

In the past three months speculation has increased that there was a sharp division of opinion in Iran over whether the much-heralded "final offensive" against Iraq should be launched. Equally, there was thought to be a debate about the wisdom of adopting a more pragmatic attitude towards Western nations in view of the country's mounting economic difficulties.

This, it appears, gave some credence to those analysts who thought they could see a pro-Western faction emerging within the Iranian regime. In turn this may explain why the US Administration was willing to give its tacit blessing to a semi-official attempt to seek Iranian help in winning the release of US hostages in Lebanon.

As Hojatoleslam Ali Akbar Hashemi Rafsanjani, the Speaker of the Iranian Parliament and one of the country's key political leaders, admitted on Tuesday, Iran does have influence with some of the Shia groups in Lebanon. Iran is also allied to Syria, which physically controls a large part of Lebanon. Taken together these two factors would suggest important potential lever-



President Reagan announcing the appointment of Mr. Robert McFarlane as National Security Adviser in October

age for Damascus and Tehran in their dealings with Washington, Paris and London.

France has recently completed negotiations with Iran for the payment of some \$1bn due from an unfulfilled contract made with the late Shah. It had also held preliminary discussions with Syria over arms supplies. It may have been estimated that such negotiations could assist and might indirectly lead to a diminution of terrorist incidents in Paris.

Now it also appears that the US may have been trying to soften Iranian attitudes by providing spare parts for its still mainly US-equipped armed forces.

In Washington yesterday it was being argued that even if the reports of Mr McFarlane's trip were accurate it would not presuppose

any serious breach of the US arms embargo on Iran. The supplies were said not to have involved any high-tech equipment and would not have any influence on the war with Iraq.

It was accepted however, that Washington may have difficulty in explaining its actions to Saudi Arabia and other Gulf Arab states which have spent more than \$30bn in helping Iraq to ward off the Iranian threat. It may also call into question the high moral tone the US has adopted in refusing to negotiate with terrorists, particularly those who seize innocent civilians as hostages.

Of equal concern to some Western diplomats is the suspicion that the US Administration may be making the same mistakes today in its assessments of Iran as it did in the

period before the overthrow of the Shah.

"At that time Washington could not accept that the regime is in real trouble," said a diplomat with considerable Iranian experience yesterday. "Now, they seem just as determined to believe that the regime is about to collapse and that there is a significant body of opinion which wants to get back on good terms with them."

The way Ayatollah Khomeini has structured his regime encourages speculation about internal divisions. Each organ of state has its checks and balances, in order to ensure that none grows too powerful. The regular army is balanced by the Revolutionary Guards. The power of the Prime Minister and ministers in the Cabinet is rivaled by that of Parliament. Acts of Parliament may be rejected by the Council of Guardians.

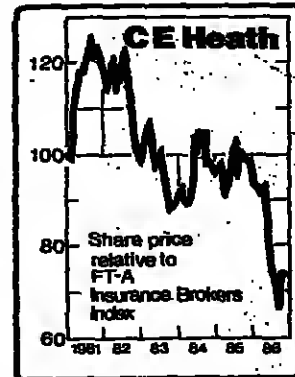
Into this web of complexity was injected last year the decision by the Assembly of Experts to appoint Ayatollah Hosein-Ali Montazeri as the eventual successor to Khomeini. Although he does not have a precise constitutional role, it was inevitable that further struggles for influence would follow his appointment.

But according to Western diplomats in Tehran such manoeuvres do not present a challenge to Khomeini and are unlikely to surface publicly while he lives. Only Ayatollah Khomeini, as the supreme Islamic jurist and the vice-regent for the Prophet, has the right to expect total obedience.

If that assessment is accepted, the reported US overture to Iran was doomed to fail. It was also certain to be publicised by the Iranians who, by claiming that Mr McFarlane brought with him a cake baked in the shape of a key (allegedly consumed by airport guards), and gifts of Colt revolvers, are holding the entire episode up to international ridicule.

### THE LEX COLUMN

## An own goal by Philips



Finally Philips has conceded that its earnings this year will fall below 1985's levels. But the company had warned four weeks ago about the third quarter - so the share price fell only 20 cents to £1.44. A 27 per cent fall in third quarter net income would have been even worse had the US operations not managed to stem their losses. But this was more cost-cutting in the semi-conductor operations than an industry upturn, so only limited encouragement can be drawn.

Overall the dollar's weakness has knocked stated profits on translation by about 5 per cent. The currency effect on Philips as a competitor with US companies has been more profound, but much less easy to quantify.

The weakness of the guilder against the yen ought in theory to have helped Philips' consumer electronics business. But the Japanese competition has better margins than Philips to exploit.

So far most of them have been working through export sales covered by forward foreign exchange contracts. Now the Japanese have finally hit the currency wall, Philips might be able to get its net margins up to more acceptable levels.

Odd that Philips - which last summer was forecasting record profits - was so taken aback by the slowdown in its TV and video recorder sales growth after the World Cup boom of the second quarter. This pattern seems to happen every four years but for some reason Philips thought that this time there was more to it than soccer.

### C. E. Heath

Shareholders in C. E. Heath have been waiting for their management to produce some alternative to the questionable capital gains offer from PWS. The wait has not been worth it. In electing to reverse into Fielding Insurance, a private broker managed by former Heathites, Heath is offering a management premium which suggests an existing management that has given up hope.

Assuming the conversion of the Fielding stock options into Heath shares, the vendors of Fielding - including Hambros, the main shareholder - will end up with a third of the enlarged equity for a profit contribution of £5m pre-tax. Since Heath made £32m in the year to last March, shareholders

and he is sacrificing his credibility as a man who sticks to his first offer. Only the market's refusal to consider the opening figure persuaded him to increase and he must now be taken seriously indeed.

The new cash offer presents OT&T shareholders with a tough decision. While 20p is a better price than they have seen for many years, and is above yesterday's close of 19 1/2p, OT&T has damaged some fairly believable growth potential before their eyes. The 370m pre-tax profit forecast for 1986, helped by some kitchen-sinkery, is well above earlier market estimates. At 20p the prospective P/E is 13 and yield nearly 5 per cent, a rating which is not a knock-out premium to the market.

OT&T's determination to invest its cash on a 20 per cent plus return, something we would all like to achieve, at least has some recent history to support it. Its ability to make an immediate and annual £2m profit on a property deal only just signed suggests that there is more value to OT&T's assets than Mr Brierley, or even OT&T's own management up to now, has perceived.

### Oils

The oil sector appears to have been designated as the main battleground on which to set out the market making men from the boys. While the industrial sector of the market eased down gently yesterday, the oil gained over 3 per cent.

By all accounts the vast majority of deals were between the market-makers with very little client business, in true Forex fashion. When a share as heavy as Shell gains over 3 per cent in a day, the paper gains and losses are elephantine by the standards of the smaller firm.

### Brierley/OT&T

If Mr Ron Brierley felt that 22 1/2p was a fair price for Ocean Transport & Trading, he must regard his increased bid of 20p as really pushing the boat out. Against himself he argues that OT&T has so far in its defence said nothing to make him revise his opinion of its asset value.

## UK may spend more on schools and health

BY PHILIP STEPHENS AND PETER RIDDELL IN LONDON

THE British Government plans today to combine provision for higher public spending on education, the national health service and housing in the run up to the next general election with an optimistic assessment of the UK's economic prospects.

Mr Nigel Lawson, the Chancellor, of the Exchequer intends to deliver his Autumn Statement on public spending and the economy in the House of Commons this afternoon after its expected approval at a morning Cabinet meeting.

The Star Chamber Arbitration Committee, chaired by Lord White-law, leader of the Lords, has completed its discussions and its report will be considered before Cabinet this morning with a few points of detail still to be sorted out.

Whitehall officials were yesterday acknowledging that the spending plans include higher provision for outlays in a number of the most politically sensitive areas of the public sector ahead of general election due at the latest by June 1988. These increases will be presented as reinforcing the Government's caring image in the hope of building on the Tory's lead over Labour shown by the latest two opinion polls - and will doubtless fuel spec-

ulation among MPs about an election next summer or autumn.

The officials downplayed, however, suggestions that extra spending in such areas as health and education would be at the expense of a heavy overrun in the spending target of £143.9bn (£295.7bn) for 1987-88 set by the Treasury at the beginning of this year.

The pledge given by Mr Lawson at this year's Conservative Party Conference that the Government would not engage in an irresponsible spending spree ahead of the election - was noted by officials in Whitehall.

The unofficial guidance - subscribed to by economic specialists among Tory backbenchers - was that the additional outlays could be met by creative accounting, by reducing the £14bn contingency reserve against unforeseen expenditure with, possibly, some increase in the planning total.

It is accepted, however, that pressure for improvements in the National Health Service, for a settlement of the teachers' dispute and for extra resources for inner cities have weakened the Treasury's traditionally tough stance on spending.

## French police deal major blow to Eta terrorist stronghold

BY TOM BURNS IN MADRID

FRENCH POLICE delivered a major blow to the Basque separatist organisation Eta yesterday, arresting suspects and confiscating weapons, funds and documents, on the eve of a much heralded visit to Madrid by Prime Minister Jacques Chirac.

Police and some 200 members of the CRS Corps swooped on a furniture factory in the frontier town of Hendaye where they detained seven employees, four of them Spanish Basques.

Officials said the haul included three grenade launchers, an unspecified number of revolvers, the equivalent of £1m (\$149,000) in different currencies, documents relating to past and to planned Eta attacks in Madrid and Barcelona, an extensive filing system dealing with separatist activities and uniforms of the local Spanish Basque police force.

The factory is a co-operative called Sokos which has habitually employed Spanish Basques who have crossed the border into France. Officials in Madrid said they believed it was a cover for a key Eta stronghold and that it was a centre for laundering proceeds

from the separatists' extortion network, the so-called revolutionary tax.

The raid underlined the close co-operation on terrorism that presently governs Franco-Spanish relations. This co-operation has increased since Mr Chirac took office as the French Interior Minister currently bypasses extradition procedures and directly hands over Eta suspects to the Spanish police.

A total of 16 separatist suspects have been expelled to Spain since July and the south-west border region of France is no longer considered to be a safe haven for Eta. Mr Chirac's seven-hour visit today to Madrid, his first official trip to Spain as premier, will clearly capitalise on yesterday's raid and will ensure an even warmer welcome than had already been prepared.

The groundwork for the visit was conducted a month ago during a weekend of talks in Saragossa which brought together the foreign, defence and agriculture ministers of the two countries as well as a number of high officials. The talks formed part of the biannual ministerial brainstormings that were in-

stituted three years ago and which are held alternately in Spain and France.

The chief outcome of last October's talks was to allow Spanish fishermen access to contested French-controlled waters in the Bay of Biscay. This has been a continual source of friction and it led last June to a temporary blockade of Hendaye by Spanish trawlers.

The Spanish media's build up to Mr Chirac's talks with Prime Minister Felipe Gonzalez has emphasised France's role as the foremost client of Spain's exports and as a key investor in the Spanish economy - the number of employees of French companies in Spain is second only to the number employed by the sprawling Spanish public sector.

In pre-visit interviews to the Spanish television and press, Mr Chirac called for even closer economic links between the two neighbouring countries, particularly in the high-technology sector. In this context the visit could reverse doubts recently expressed by Spain's Telefnica over its participation in the CGT-TTT telecommunications joint venture.

## Democrats hail victory

Continued from Page 1

The Democratic Party claimed that it has won eight or nine seats, strengthening the control it has held since 1982.

President Reagan, who won two landslide victories in the 1980 and 1984 presidential elections, in a rare demonstration of White House commitment to his party, campaigned solidly from September, travelling 24,000 miles in 22 states, sometimes returning two or three times, in an effort to hold the Senate.

Behind this commitment was the

recognition that with 22 Republican seats up for election but only 22 Democratic seats on the line in the 100 member Senate the narrow 53-47 Republican majority was at risk. Traditionally too the party in the White House tends to suffer losses in the Senate at this stage of the presidency.

Control of the Senate, if shrewdly exploited, could help the Democrats as they seek to set the national political agenda in the two years leading up to the presidential election in November 1988.

## Amstrad to raise output of hard-disk computer

BY DAVID THOMAS IN LONDON

AMSTRAD, the UK consumer electronics group, is to increase output of its most powerful personal computers in its second strategic move into the world market.

Mr Malcolm Miller, Amstrad marketing director, said the huge demand for the powerful hard-disk machines was the one major factor which Amstrad had not anticipated. The group mounted its long-awaited attack on the \$34m world personal computer market in September when it launched eight low-cost machines.

Its first strategic move came with the recent announcement of price rises of 12.5 per cent from January.

Before the launch, Amstrad had expected that about 8 per cent of orders would be for the four most powerful hard-disk machines in its

range. However, about 36 per cent of the early orders have been for the hard-disk machines. Amstrad says it has taken orders for more than 200,000 of the entire range.

From January, about 45 per cent of Amstrad's output, now running at 70,000 machines a month, will be hard-disk machines.

Amstrad has placed orders for disks with Tandon of the US

Mr Ken Ashcroft, Amstrad finance director, said yesterday that shifting the mix towards the more expensive machines will mean more profit on each machine.

From next week, Amstrad will also put a fan, bought in West Germany, into every machine with a hard disk at its south-east England factory.

## Hopes fade for release

Continued from Page 1

on the story yesterday, saying that it was being handled by the White House. But he added that the US should not abandon its arms embargo on Iran.

Israel Radio said that Mr McFarlane had several times met Israeli officials recently in Paris and London to seek assistance in his negotiations with Iran. It identified Mr David Kimche, the former director

general of the Foreign Ministry, as the key Israeli contact.

Israel has been repeatedly accused of selling arms to Iran, a charge which it has denied.

Mr-Hossein Mousavi, the Iranian Prime Minister, joined the controversy yesterday, likening relations between Washington and Tehran to those "between a wolf and a lamb."

**UK Company offers European investment opportunities**

On 1st July 1986, Bal Lin Tea was launched in the United Kingdom. Within four months, retail sales have exceeded £2m, generating a profit for the company and its distributors of over £1.5m.

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Samarina Fox now look to expand their operations into Europe. Distribution rights for major European countries, in full or part, can be negotiated. The offer will include use of experience gained from the UK market plus detailed information and instruction on all promotional equipment.

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Companies or individuals are invited to write for further information to:

Jerram & Co. (Chartered Accountants),  
Business Development Department,  
87-89 Colchester Court, Old Broad Street, London EC2M 6JL.  
Or telephone Brendan Harrington, 01-244 8383.  
Fax: 01-244 8387.



INTERNATIONAL APPOINTMENTS

New chief executive takes over at General Foods

BY OUR FINANCIAL STAFF

MR PHILIP L. SMITH has been appointed chief executive of General Foods, the US group with products ranging from Maxwell House coffee to Birds



Mr Philip L. Smith, who takes over as chief executive of General Foods, lately acquired by Philip Morris

Eye frozen peas, in succession to Mr James L. Ferguson, who is to resign as chairman and chief executive as from January 1.

General Foods, based in Delaware, was taken over by Philip Morris, the New York-based, tobacco-based concern for \$5.64bn earlier this year, in an agreed takeover.

Mr Smith, 52, has been chief operating officer of General Foods since 1981, and is to remain president.

Mr Ferguson took on the post of chief executive of General Foods in 1978. He is to continue to serve on the Philip Morris board as vice chairman, and also to retain the post of chairman of the executive committee of General Foods.

two subsidiaries based in Paris.

Mr Vernerey, who is also a vice president of Security Pacific EuroFinance, was formerly with CII Honeywell Bull, the French telecommunications and electronics group, and with Citibank Paris, the offshoot of the largest US banking concern, which has headquarters in New York.

Security Pacific EuroFinance has been involved in asset-based finance in Europe since 1975. It has headquarters in London and offices in Amsterdam, Brussels, Paris, Munich and Vienna.

DRESDNER BANK International, of Luxembourg, the offshoot of the West German bank, has appointed Dr Peter Kaul head of its banking relations department. He succeeds Mr Hubertus Brandt, who joins the Deutsche Siedlungs- und Landesrentbank, Bonn, as a director of its capital markets division.

Top BNP man goes to Matra

By George Graham in Paris

MATRA, the French electronics group, has appointed Mr Albert Costa de Beauregard to take charge of its defence and space activities. He moves from the post of president of Banesi, the merchant banking and venture capital arm of Banque Nationale de Paris.

Mr Costa, economic counsellor to Mr Raymond Barre when the latter was Prime Minister, moved from the public sector to BNP in 1983, taking a particular interest in risk capital and in new high technology businesses.

His successor, 15 years his senior, at 59, joined General in 1973 after a career in industry. He was finance director of Papeteries Darblay and then managing director of Lorilleux-Lefranc.

Switch at Fairchild

Fairchild Industries, the US aerospace group, has elected Mr Paul E. Wright president and chief operating officer, in succession to Mr Emanuel Ethenakis, who is to remain chairman and chief executive.

Black & Decker chairman quits for new field

BY OUR FINANCIAL STAFF

BLACK & DECKER Corporation, the Maryland-based power tools concern, has announced that Mr Laurence J. Farley has retired as a director and as board chairman. Mr Farley, who joined Black & Decker in 1978 as vice president of finance and as treasurer, became a director in 1983. He was president from 1983 to 1985 when he became chairman.

Mr Farley leaves to devote time to a consulting and investment firm that he is forming. He says: "With Nolan Archibald as president and chief executive officer and with the team of executives that has been assembled, I leave Black & Decker in the best of hands."

Texas Air brings moves at Eastern Airlines

EASTERN AIRLINES, of Miami, has elected Mr Frank Lorenzo chairman and Mr Phil Bakes president and chief executive.

Mr Lorenzo is the chairman and chief executive officer of Texas Air Corporation, which is engaged in acquiring Eastern. Mr Bakes has been president of Continental Airlines, the Texas Air subsidiary, since 1984. Eastern shareholders are to vote on the merger on November 25. Mr Bakes succeeds as president Mr Joseph Leonard, who assumed the post in September last year, with Mr Frank Borman continuing as Eastern chairman. Mr Leonard takes on the new post of executive vice president and chief operating officer.

Presidential change at CBS News

CBS/Broadcast of CBS, the US broadcasting group, has announced that Mr Howard Stringer has been named president of CBS News, in succession to Mr Van Gordon Sauter, who resigned as president as from September 11, reports Reuter from New York.

Mr Van Gordon Sauter resigned one day after Mr Laurence Tisch became acting chief executive officer of CBS after acquiring 24.9 per cent of the outstanding shares of CBS.

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The following Appointments appeared yesterday Director Offshore Bank Fixed Income Fund Management Spot FX Dealer Managing Director Marketing Officers Swaps Director of Corporate Planning Company Secretary Investment Analysts Senior Burstar Director General Unit Trust Sales

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# Accountancy Appointments

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Working with the UK Managing Director, and reporting functionally to the Group Financial Director, the appointee will be the key operational accounting link between Chamebel UK and its parent company.  
Candidates must offer five years progressive post qualified experience

in a commercial environment, including at least two managing the financial control function in a small to medium sized market leader, preferably in the construction industry. A knowledge of Belgian accounting practices and some facility in French would be advantageous.  
Please send a comprehensive CV (with remuneration record) or write for an application form, quoting reference C6564/L to M.R.P. Blanckenhagen, Executive Selection Division.



Peat, Marwick, Mitchell & Co.,  
165 Queen Victoria Street, Blackfriars, London EC4V 3PD.

## Financial Controller

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for financial planning and control within the Bank and take part in the formulation of business strategy.  
Candidates will be qualified accountants aged between 35 and 45 and have a minimum of 10 years' post qualification experience, that will include a significant period with a banking environment. Additional experience sought will be up-to-date knowledge of taxation relating to overseas banks, computerised accounting systems and tenure in a senior management function.  
As this is a new appointment, there

will be ample scope for personal development for the candidate who makes a major impact on this role.  
An attractive remuneration package has been designed to ensure the right candidate is well provided for.  
Please apply enclosing a full CV, giving current salary and quoting reference MCS/1021 to Michael Madgwick, Executive Selection Division, Price Waterhouse Management Consultants, No.1 London Bridge, London SE1 9QL.

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For the right person this post will afford excellent prospects for further advancement either in financial or general management.  
Mr Steve Anderson, Director of Resources, would be happy to discuss the post with interested candidates, telephone Plymouth 785 783.  
Further details, job description and application form may be obtained from District Personnel Department, Plymouth Health Authority, Carriford Business Park, Broad Road, Carriford, Plymouth PL5 5DN. Tel: Plymouth 785785.  
Closing date for receipt of applications: Wednesday 20th November 1986.

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For further information please write now with a full c.v., indicating the position you are applying for, to: Confidential Reply Service, Ref. 9448, Austin Knight Advertising Limited, 17 St. Helen's Place, London EC3A 6AS.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Confidential Reply Supervisor.

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Please contact Nick Root at the Securities Division, Michael Page City, 39-41 Parker Street, London WC2B 5LH. Telephone: 01-404 5751. Confidentiality assured.



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You should have qualified as an accountant within the last twelve to eighteen months, and will probably have spent this post-qualification period working either for or with a stockbroking or other City institution. Also you should have imagination and the ambition to rise quickly within the financial management function. As Head of Management Accounting, you will report to the Financial Controller for Alexanders, Laing & Cruickshank, and be

responsible for the production of monthly management accounts and reports to both ALCH and ALCH management, for liquidity returns to the Stock Exchange, and for all other management and budget reporting. Immediate emphasis will be placed firstly on the need to adapt existing budget report structures to conform with management reporting lines within ALCH and secondly to develop further techniques for measuring profitability of new ventures in the post Big Bang environment.

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Please write with full CV to: Liz Knott, Manager Personnel Services, Alexanders, Laing & Cruickshank Holdings Limited, Mercantile House, 66 Cannon Street, London EC4N 6AE. Tel: 01-236 0233.

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Group of changes in legislation or tax practice. Applicants, preferably in their 30s, must be qualified accountants or Inspector of Taxes with experience of large groups of companies. Possession of the ATTII qualification and experience in another industrial/commercial tax department would be a considerable advantage, but not essential. Equally important are strong interpersonal skills and willingness to work as a member of a team contributing to the tax effectiveness of this Company.

Interested candidates should contact Jayne Thomas on 01-831 2000 (evenings and weekends 01-341 9885) or write to her enclosing a c.v., quoting reference 9001 at the Taxation Division, 39-41 Parker Street, London WC2B 5LH.



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## General Accounting Manager

Age 27-32

Package c.£20,000

Our client is the UK operation of a medium-sized 'household name' consumer service company. The Company is currently enjoying a period of substantial growth both in terms of turnover and profitability.

A young Qualified Accountant is sought for the role of General Accounting Manager reporting to a Controller. Covering a broad range of activities and leading a team of 15, specific responsibilities include monthly reporting to the UK based Head Office under tight time pressure; treasury control; maintenance and control of fixed assets (including a large volume of acquisitions and sales transactions); maintenance of all general accounting and the overall enhancement of financial services.

In addition to the technical skills required to perform the above, a high level of interpersonal skills will also be required as the role demands a great degree of personal contact, not only with staff and Operations Managers, but also with Senior Management and Directors from all functions.

The overall direction and attitude of the company is one which demands that all key members of its management team (which includes this position) should possess good commercial understanding and business acumen, involving themselves in the wider operations of the organisation.

The breadth of the immediate role coupled with the company's plans for progress ensures that the experience to be gained from the position will be both demanding and interesting as well as extremely beneficial. Further promotion opportunities exist in the medium term not only within the UK, but also within European operations. The position is based in West London.

Interested individuals should contact Karen Wilson BA, ACMA on 01-439 6911 or write to her including a CV and a note of salary at: Financial Management Selection Limited, 21 Cork Street, London W1X 1BB.

Financial Management Selection

## DATASTREAM ARE YOU BORED WITH ACCOUNTANCY?

Then why not put your knowledge of securities and the City to work with an international market leader in the field of financial information and computation services?

Based in London, you would join our highly professional Investment Accounting department to train as a CLIENT LIAISON EXECUTIVE. As part of a team, you would be responsible for ensuring that our IA clients receive first class training and support services. The duties will involve field work, with some telephone cover and travel.

The salary for a trainee is up to £11,000 plus excellent benefits package including bonus, LVS, non-contributory pension and free private medical care. To apply you should be aged 23+, preferably a graduate or part qualified accountant but, most important, you should have 2-3 years' practical experience of finance in the City. If you are confident, self-motivated and feel you have the abilities to deal with a wide variety of challenges in a high pressure environment, send a full CV immediately to: Karen Taylor, Recruitment Officer, International Ltd, Monmouth House, 58-64 City Road, London EC1Y 2AL. Where possible, please include a daytime telephone number.

IB a company of Dun & Bradstreet International

## Group financial director

West Midlands, £25,000 + car



Our client is a large privately owned motor vehicle distribution group with a national network of fourteen subsidiaries holding various franchises. In this wide ranging operational and strategic role a prime responsibility will be the leadership, control and motivation of a strong team of management accountants based at the subsidiaries. Other key performance areas will be the development of financial planning and the group's computer policy, corporate taxation, internal and external audit and company secretarial responsibility.

A qualified accountant, you will probably be aged in your 30's. A strong commercial approach to financial management is essential and a knowledge of the motor vehicle industry is preferable. You must have the professional stature to represent the group to financial institutions and make a major contribution to its corporate development. A substantial remuneration package is offered which includes relocation assistance if appropriate. Resumes, which will be acknowledged and forwarded to our client unless a covering letter gives contrary instructions, to David Owens, Ref. D212.

Coopers & Lybrand Executive Selection

Coopers and Lybrand Executive Selection Limited  
43 Temple Row  
Birmingham B2 5JT

## 20 Accountancy Personnel

Placing Accountants first

### UNIQUE OPPORTUNITIES THE SOUTH WEST AND SCOTLAND To £25,000 + Expenses

The Royal Dockyards at Devonport and Rosyth are to be commercially managed from April 1987 and in readiness, a new sophisticated computerised accounting system is being implemented. This has created numerous opportunities for Accountants able to lend their industrial experience and management expertise to ensure a smooth transition from current internal reporting to full statutory disclosure.

Having successfully completed the initial recruitment drive we are now looking to appoint Programme Accountants and Project Accountants to contribute to this commercial transformation. Ideally aged between 25-55, preferably qualified, with an engineering/contracting background, you will be adaptable, communicate easily at all levels with non-financial personnel, demonstrate considerable investigative flair and have proven skills in identifying and solving potential problems.

These opportunities would be of particular interest to motivated individuals who are immediately available and willing to accept the challenge offered by this unique project. Salaries are fully negotiable and substantial expenses are available for successful candidates.

For further information regarding these exceptional openings please contact Adrian Stator at:

Accountancy Personnel  
54 Baldwin Street, Bristol BS1 1QW. Tel: 0272 298911 (24 hrs.)



# Accountancy Appointments

## Fund Management - European Equities Package c £50,000 plus attractive benefits

This is an opportunity to manage the European equities portfolios of one of Britain's leading financial organisations. With the support of a small team you will be responsible for the performance of sizeable funds. You will enjoy a considerable degree of independence and discretion in your investment decision making and the success of this will ultimately have a major impact on the Company's ability to attract further assets.

You will already possess an in-depth knowledge of European equities and will be able to demonstrate at least 3 years' successful

investment management performance in these markets. Aged probably in your thirties you will have developed the interpersonal skills necessary for creating effective working relationships and will have the judgement and confidence required to act decisively.

The Company offers a compensation and benefits package designed to attract a top quality specialist. To apply, please write in complete confidence to the Company's advisor on this appointment, John Sears, Cavendish Court, 11/15 Wigmor Street, London W1H 9LB or telephone: 01-629 3532.

**John Sears and Associates** A MEMBER OF THE **SMCL** GROUP

## Group Financial Director

West London to £37,000 + car  
Portsmouth & Sunderland Newspapers plc

This successful, forward-looking group, with a turnover approaching £50m from a variety of publishing and related fields, is seeking an outstanding and experienced FCA to head its finance function. The post requires a strong background in corporate finance allied to expertise in financial planning and control with a creative approach to business development. Growth prospects are good. As a member of the small headquarters team, the Group Financial Director will work closely with the

Chief Executive and maintain close links with operating subsidiaries involving some UK travel. Candidates, preferably aged 35 to 40, must have a proven record of achievement in financial management, ideally gained in a group context. A media background would be an advantage but is not essential. Salary is negotiable with a car and appropriate executive benefits. Please write sending brief cv, in confidence, to Peter Greenway, Ref: 1125/PJG/FT.

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Tel: 01-235 6080 Telex: 27874

## Opportunity for a young, creative, computer literate **ACCOUNTING MANAGER** Middlesex Emoluments package c.£25,000 + car + non-contrib. pension

Our client is one of the world's leading pharmaceutical companies with an enviable record of growth and achievement. Following promotion, an opportunity now exists for a high calibre qualified accountant to join the finance team at the company's headquarters.

The role carries responsibility for the overall structure, operation and development of accounting systems and procedures to satisfy both internal business needs and external reporting requirements. The company operates a sophisticated, extensive on-line computer network with increasing emphasis on end user computing.

Ideal candidates will be chartered accountants, have a minimum of 2 years' P.Q.E., be technically competent and will possess first class communication skills. Career prospects are excellent. Written applications, enclosing up-to-date curriculum vitae, should be submitted in strict confidence to Eric Sutton at our London address, quoting reference no. 1033/7216.

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163a Bath Street, Glasgow G2 4SQ. Tel: 041-228 3101  
India Buildings, Water Street, Liverpool L2 0RA. Tel: 051-227 1412  
113/115 George Street, Edinburgh EH2 4JN. Tel: 031-225 7744  
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Manchester M2 2EX. Tel: 061-236 1553

**DOUGLAS LAMBIAS** **DIA**  
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## Finance Director Designate

to £25,000 + car

Essex/London Borders

Over the last five years our client has established itself as a force in the demanding transportation, distribution and freight forwarding businesses. Many well known High Street names have contracted with them to distribute their goods through a nationwide network of depots. Turnover is approaching £20m and expanding fast.

They are now gearing themselves up for the next exciting phase of their development and regard this appointment as a critical factor in their plans.

You will be responsible to the Chief Executive for the entire financial and DP requirements of the Group. Your first priority will be to introduce improved management information and budgetary control systems in order to maximise the Group's profit potential.

Candidates will be Qualified Accountants, aged 30-45, with a proven record of computerised accounts management, preferably within a similar business environment or other Service Industry. We will also be looking for a keen business brain coupled with the drive and initiative needed to make a success of this key appointment.

A fully competitive salary will be offered with an attractive range of benefits including a car and there are excellent longer-term career prospects.

Please send concise details, including current salary and daytime telephone number, quoting reference L2007, to W S Gilliland, Executive Selection Division.

**Grant Thornton**  
Management Consultants

Fairfax House, Fulwood Place, London WC1V 6DW.

## Finance Director

Eastern Counties  
Salary £30,000+ plus car

This specialist publisher in international business publications is looking for a financial director to strengthen its top team. The company, has a national and international reputation and with considerable development opportunities.

As the new financial director you will be responsible for the work of the Finance Department and the full range of normal finance and accounting functions. In addition you will be expected to take a leading role in business and financial planning and to inject a strong commercial input.

Aged 35-45 you should be a chartered accountant or have a university degree and relevant qualifications as well as publishing experience. Experience in formulating business strategy and profit forecasts is also necessary, as is experience in handling product acquisitions and the funding of development projects. We would expect you to have good knowledge

of computerised systems and to have shown success in monitoring and reporting company performance to a tight time scale. On a personality level you must be able to adapt easily to an entrepreneurial fast moving organisation and will not allow high level experience and qualifications to smother a very much "hands on" approach.

Assistance with relocation expenses will be provided if necessary.

Please write with full details to the Confidential Reply Service, 17 St. Helen's Place, London EC3A 6AS quoting ref. 9437.

Applications will be forwarded to the client concerned, therefore any companies in which you are not interested should be listed in a covering letter to the Confidential Reply Supervisor.

**Austin Knight Advertising**

## YOUNG FINANCE PROFESSIONALS

Of Outstanding Ability  
£30,000 to £45,000 p.a.

The Firth Consultancy specialises in senior executive search for major American corporations in Europe. We have an increasing demand from our clients to find high potential analysts and finance managers to drive their international investment and profit expansion.

Our client list includes many of the world's most prestigious and exciting corporations who are the acknowledged brand leaders in their sector and in general their European Headquarters are in the London area.

In particular we would like to meet those qualified high potential Accountants and Finance Managers aged under 30, who are eager to advance their careers significantly and progressively in an international environment. Compensation will not inhibit appointments.

Opportunities are currently available in:

- Consumer Goods
- Financial Services
- Foods and Beverages
- Biotechnology

We recognise that successful managers may not be actively pursuing a career change but would probably benefit from a confidential meeting with an experienced consultant.

Candidates should write or telephone Bryan Firth in absolute confidence at:

THE **FIRTH CONSULTANCY**  
LTD

50 PALL MALL, LONDON SW1Y 5JQ. TEL: 01-930 5764

## FINANCIAL SERVICES

This diverse and well known group seeks a young, experienced accountant to take a controllership role within their funds management area. Overseeing the production of periodic reporting with particular emphasis on management information, the key contribution of this position will be in the development of control systems and in strategic and commercial issues. Experience of financial management in a similar office is a prerequisite. Ref: PAR CITY £25,000+Car+Mortgage

## CORPORATE PLANNING

Due to outstanding growth, our client, a leading Finance House, requires a Chartered Accountant to form part of a newly created Corporate Planning Department. Principal responsibilities will embrace departmental forecasts, short and long term plans, capital appraisal projections and systems development. Additional responsibilities will include financial modelling on IBM mainframe in order to prepare special project reports. Candidates will be newly or recently qualified ACAs aged 23-30. Ref: SW N. LONDON To £18,000+Banking Bens

## FIRST MOVE

This publicly quoted services group, with an aggressive market profile and an impressive record of growth, requires consultants for its expanding financial services arm. Engaging in investigations for group acquisitions and business appraisal and financial studies for client companies, the roles enjoy excellent general management prospects. Candidates should be ambitious ACAs 23-28, possessing developed communication skills and a strong commercial orientation. Ref: GH. HERTS c.£20,000+Car

Robert Half Personnel, Freeport, Roman House, Wood Street, London EC2B 2JQ. 01-638 5191.

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We're one of the newest members of Citicorp - the world's largest financial institution - and our buoyancy is reflected in a quadrupling of our unit funds, in this year alone, to a record £25,000,000.

We've invested heavily in a new IBM System 38 and we're investing, too, in staff of the highest calibre. As an Actuarial Assistant in our expanding Corporate Actuarial Department you'll enjoy a wide range of responsibilities and tremendous potential for career growth.

Initially your areas of involvement will include the preparation of business plans, the specification and testing of enhancements to our computer systems, the analysis of earnings from our various products and the provision of specialist quotations.

As a successful candidate you should have experience in similar areas within a unit-linked company and passes in A2 and A3 of the Institute of Actuaries. We'll provide you with a competitive salary to match your experience, a non-contributory pension scheme and life insurance. And the opportunity to learn and make progress within a company that's breaking growth records month after month.

Interested? Then contact Alison Moncrieff, on (0444) 414111 for further details or send a cv to her at British National Life Assurance Company Limited, British National Life House, Perrymount Road, Haywards Heath, West Sussex RH16 3TE

SMCL GROUP

**SMCL**  
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Share in the rapid growth of this International Energy Group

We are seeking candidates for a major US energy corporation, with diverse interests, a strong financial base and an aggressive and able organisation. The Company is committed to large scale and sustained development of its European oil interests, which will greatly increase the importance of the London office. As part of this expansion it is expected to become an operator for the first time in the North Sea during 1987.

The accounting function in London is set to play a major role in this growth by assuming total control of the financial affairs of all North Sea subsidiaries. The opportunities for personal development and added responsibilities as a result of this decentralisation are excellent. A completely new accounting system is to be introduced providing further scope for you to demonstrate your professional capabilities.

If you are a qualified ACCA/ACMA or studying for your final examinations, this appointment may well hold the key to a very rewarding career move. In addition to the qualifications, at least three years experience in industry or commerce is required, preferably gained with an oil company. Familiarity with oil industry accounting conventions and joint venture procedures would be a distinct advantage.

The Company offers a very attractive remuneration package, which includes a highly competitive salary, fully subsidised BUPA and non-contributory pension scheme. To apply, please write to Summit Management Consultants Limited, Cavendish Court, 11/15 Wigmor Street, London W1H 9LB or telephone 01-629 3532.

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# Accountancy Appointments

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The Bell Group International is the overseas holding company of a successful and rapidly expanding Australian Group with interests in Media and Entertainment, Natural Resources and Investments. Highly profitable, this progressive company is committed to a programme of further business expansion.

An outstanding career opportunity exists for a high calibre tax professional to join the strategic group function. As a member of a highly influential management team, this broad commercial role offers considerable exposure at board level both in the UK and Internationally. Reporting to the Managing Director the position will be responsible for all UK and International Tax affairs, requiring knowledge of US and Australian legislation.

The successful candidate will be a qualified accountant aged 23-35, with a proven track record of taxation planning and management gained within a major company. The ability to participate confidently and effectively in major strategic decisions is of paramount importance.

Please apply directly to Catriona Monaghan, Robert Half Personnel, Freeport, Roman House, Wood Street, London EC2B 2JQ, 01-638 5191.

**ROBERT HALF**

## A CHALLENGING ROLE IN CORPORATE FINANCE LEISURE INDUSTRY

CENTRAL LONDON circa £23000+ CAR

Our client is one of the leaders in the UK leisure market, with sales in excess of £130 million. Following a highly successful flotation, the group has funds to support its ambitious acquisition plans and seeks a high calibre, commercially-aware Business Analyst to join the small central finance team.

Reporting directly to the Group Finance Director, you will be responsible for key areas of business and financial analysis. Projects could range from broad economic surveys and competitor analysis to identifying and investigating potential acquisitions, participating in negotiations and assisting in the integration process. The majority of assignments will be highly confidential often requiring initiative and judgement in sourcing information.

A graduate accountant in your mid to late 20's, you should have relevant experience in the profession or commerce. You will also need highly developed communication skills, self-confidence, sound commercial judgement, creativity, and the enthusiasm to succeed in a fast moving environment.

This is a high visibility role and our client offers a comprehensive benefits package and exceptional scope for career progression.

Please write to or telephone:  
GERRY PEARSON 01-387 8118.

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## GROUP FINANCE DIRECTOR

Midlands

Substantial Salary  
+ Benefits

Our clients are a substantial Midlands based public Group headed by a dynamic management team and with an impressive programme of planned expansion, both by organic growth and expansion by acquisition.

A Group Finance Director with a demonstrable track record of success to date and an impeccable reputation is sought to further strengthen the Board.

In addition to the responsibilities normally associated with a post of this calibre, emphasis will be placed on corporate financial management, control of the Treasury function, and the identification and integration of acquisitions. Established City contacts and knowledge will be essential for the

Group Finance Director to operate effectively.

The successful candidate will be a qualified accountant currently holding a similar position in a major group, and is unlikely to be earning less than a basic salary of £50,000 p.a. A high level of commitment is essential along with the ability to perform as a "prime mover" in the Group's expansion.

A substantial salary package, including excellent executive benefits and share options, is offered.

Please apply in writing with full career history details quoting reference ESD/LMCJ. All replies will naturally be treated in the strictest confidence. Louisa Jones, Executive Selection Division.

**PEAT  
MARWICK**

Peat, Marwick, Mitchell & Co.,  
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## Manager, Corporate Finance

Central London

Salary negotiable

Our client is one of the most exciting of Britain's major companies with extensive interests across a range of business sectors. There is now a requirement for an experienced corporate finance manager. This is an opportunity to join the management team in a key position at the centre of a very active company and will offer a particularly challenging and stimulating role for the successful candidate.

Based at the Head Office the Manager, Corporate Finance reports direct to the Group Finance Director. This specialist role essentially covers the evaluation and negotiation of acquisitions and investments. We are looking for a high level of commercial acumen, a thorough, systematic and logical approach to business and the ability to communicate at Director level, particularly

across the negotiating table. Applicants should be qualified accountants or business graduates in their early 30's with at least five years' active and relevant experience within industry, commerce or in merchant banking dealing with both public and private companies. The salary will be negotiable around £30,000 to £35,000, but will be dependent upon the ability and experience of the successful applicant; the total remuneration includes bonus arrangements, a car and other attractive benefits.

Interested applicants should write to Nigel Bates, FCA, Executive Division, enclosing a comprehensive C.V., daytime telephone number and current salary at 39-41 Parker Street, London WC2B 5LE, quoting ref. 364.

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## ACA 1986

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## Management Accountant

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North West: to £16,000

The company, a highly successful and profitable British Group, manufactures an extensive range of branded food products. Sustained levels of growth and quality have ensured a high profile in the High Street for decades.

As Management Accountant of a factory employing over 1000 people, you will manage a compact team, responsible for the preparation of comprehensive management information, for wage administration, and new product feasibility studies. Standard costing, budgeting and performance analysis are key controls throughout the site.

In your late 20s or early 30s, and qualified, you will be experienced in providing proactive management information in a manufacturing environment. Computer numerate, you will use mainframe and PC facilities to enhance existing reports and to develop new systems.

In addition to a competitive salary, generous assistance is provided for relocation to this thriving area of the North West.

Please write with full details - in confidence - to Chris Brooks, ref. B.14037.

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## COMPANY SECRETARY

West Yorkshire c£20,000 + car etc.

Our client is a successful commercial organisation with a diverse range of activities in a service related industry including the provision of management consultancy and personnel services to a major sector of the UK manufacturing industry.

The Company Secretary will fulfil an important role within the Head Office. Areas of responsibility will include the provision of accurate financial and management accounting information, investment of surplus funds, writing and presentation of board reports, some industrial relations work and completion of the introduction of computer facilities.

Candidates should be qualified accountants or company secretaries (ACA, ACMA, ACCA or ACIS) with a high degree of interpersonal skills and the ability to communicate effectively both verbally and in writing.

If you are aged 30 to 40 and have the enthusiasm to give total commitment within a challenging commercial environment, this position offers an excellent career opportunity. In addition to a generous commencing salary, the package will include a fully expensed company car, contributory pension scheme and relocation assistance where appropriate.

Please apply to Christina Counsel, BA, ACA, (Executive Consultant), Daniels Bates Partnership Ltd., Leeds Office, Tel: (0532) 461671, quoting ref: 86/2238FT.

**Daniels  
Bates  
Partnership**

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Daniels Bates Partnership Ltd., Josephs Well,  
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Also at Fountain Precinct, Leopold Street Wing,  
Sheffield S1 2GZ. Tel: (0742) 764615

## Potential Partner Personal Tax

Few firms of Chartered Accountants, if any, can have more appeal to the young professional. Pleasant growth, including mergers, has created a City based partnership which, with its young leadership and impressive client portfolio, offers exceptional career opportunities.

As a potential partner specialising in personal tax, responsibilities will include the control and further development of a comprehensive tax service

to a wide range of private clients. Applicants should preferably be Chartered Accountants aged late 20s with undoubted technical and interpersonal skills and an impressive track record. Salary will not be a limiting factor for the right applicant.

Please write with full career details or telephone David Tod BSc FCA quoting ref. D/509/RF.

**Lloyd  
Management**

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

## Financial Analysis

Central London c£25,000 + mortgage etc

Having recently reorganised its central reporting function, our client seeks to strengthen the small team responsible for group management information and financial analysis.

As an acknowledged leader in the rapidly changing financial sector, the group's activities are substantial and wide ranging. Stimulating and varied tasks will include development and maintenance of a data base on all aspects of the group's businesses, performance review and appraisal, budgetary control, review

of project appraisals and ad hoc such as assistance with financing and acquisitions. Applicants should be ambitious qualified accountants aged late 20s, computer literate with management reporting experience gained either in the profession or commerce. Future prospects are extensive, both at the centre or in operating divisions.

Please write with full career details or telephone David Tod BSc FCA quoting ref. D/521/JF.

**Lloyd  
Management**

125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

Red Hall, Barbican Exhibition Centre,  
London EC2. 4-6 November 1986

## THE ACCOUNTANTS' EXHIBITION

Open until 8.30pm  
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# SECTION II - COMPANIES AND MARKETS

## FINANCIAL TIMES

Thursday November 6 1986

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### Louis Vuitton launches bid for Veuve-Clicquot

**BY GEORGE GRAHAM IN PARIS**

LOUIS VUITTON, maker of some of the world's most expensive luggage and leather goods, wants to toast its expansion in champagne. The family-controlled company yesterday launched an offer for Veuve-Clicquot, the fourth largest champagne producer in France. Veuve-Clicquot's shares were suspended yesterday at Ffr 5,000 valuing the company at Ffr 4.1bn (\$610m) in anticipation of a detailed offer from Louis Vuitton.

A takeover would bring together a collection of some of the world's most prestigious brand names. Besides its own champagne brand - particularly well known outside France - Veuve-Clicquot also includes the Canard-Duchêne champagne name and the Givenchy perfumes division.

Mr Henry Racamier, Louis Vuitton's chairman, put his cards on the table earlier this year when Vuitton launched a Ffr 800m rights issue. He said the company, still 87 per cent controlled by the Vuitton family, needed to diversify into other top-of-the-range products that would form part of the panoply of a prestige marque.

The bid for Veuve-Clicquot is to take the form of an exchange of shares, either new Vuitton shares or convertibles topped up with cash. At the Paris bourse yesterday Vuitton was expected to offer six of its shares for one of Veuve-Clicquot's. It was widely believed that the agreement of the De Vogue family, which controls an estimated 28 per cent of the company, had been secured.

Vuitton in 1985 earned Ffr 225m and is expected to achieve profits of Ffr 270m in 1986 on turnover of Ffr 1.7bn. Veuve-Clicquot's earnings in 1985 were Ffr 115m on turnover of Ffr 1.15bn.

Mr Racamier has moved to broaden Vuitton's business in recent years, principally through a collaboration with Loewe, the Spanish leather manufacturer. With 80 per cent of the group's sales generated outside France, however, Vuitton has suffered from the decline of the dollar against the French franc.

### Philips profits fall 27% in quarter

**By Laura Reun in Amsterdam**

PHILIPS, the Dutch electronics concern, confirmed yesterday that third-quarter profits fell 27 per cent to Fl 127m (\$53.2m), mostly on the lower dollar, and warned that full-year earnings would probably fall from 1985's level.

A decline in 1986 earnings would mark the second year in a row that Europe's largest electronics company has experienced such a setback following a 17 per cent slide last year. Unexpectedly heavy losses on currency translations plus sluggish sales and production inefficiencies were blamed for the poor performance this year.

Mr Robert Spinoosa-Cattela, controller on the board of management, said net income in the fourth quarter was expected to at least equal the year earlier period, implying a 14 per cent drop to Fl 78m for all of 1986. But he added that much depended on "incidental factors" in the final period, mainly foreign exchange movements, sales volume and tax rates.

### Rhône-Poulenc may buy Union Carbide operation

**BY PAUL BETTS IN PARIS**

RHÔNE-POULENC, the French state chemicals group, has emerged as the frontrunner to acquire the agrochemical business of Union Carbide in a deal which is expected to be worth between \$500m and \$600m.

French industry ministry officials confirmed last night that the French Government had approved Rhône-Poulenc's bid for the US group's agrochemical assets.

Although at least three other international chemical companies were believed to have put in bids for Union Carbide's insecticide and other agrochemical operations, the French group was seen as the favourite contender. Sales in these divisions this year were expected to be almost \$500m.

Rhône-Poulenc recently confirmed it was interested in acquiring Union Carbide's agrochemical businesses which the US group said it was putting up for sale last July. This was part of Union Carbide's effort to reduce its indebtedness following its successful defence against an unwelcome takeover bid from GAF of the US earlier this year.

The French chemicals concern, with annual sales of Ffr 56bn (\$8.4bn) and profits of Ffr 2.3bn last year, has been seeking to extend its presence in the US market where compared with other international chemical groups, it has been relatively weak. The acquisition of Union Carbide's assets would reinforce Rhône-Poulenc's agrochemicals sector where annual sales total about Ffr 6.5bn.

Mr Jean-René Fourton, the new chairman, recently said he wanted to reinforce Rhône-Poulenc's presence in high value added sectors. If Rhône-Poulenc succeeded, which seems likely, the French group would acquire six plants in the US, three in Brazil, France, and another in Canada.

The French group was also understood to have been given approval from its state shareholder to raise funds on both the domestic French market and the international market to help finance the US acquisition.

### MCORP suspends quarterly dividends

**By Our New York Staff**

MCORP, the biggest bank in Texas which until now appeared to be weathering the state's serious financial problems better than some of its smaller rivals, has suspended its quarterly common stock dividends, but stressed that it had no intention of seeking the help of a merger partner.

The group said that the decision to axe the 35-cent-a-share quarterly dividend was based on "the persistent economic weakness and outlook in the region, and the resulting effect on MCorp's operating earnings."

MCorp earned \$7.1m in the third quarter of 1986, but showed a loss of \$91m for the first nine months of the year. Its non-performing assets of \$1.1bn have been rising and now roughly equal common shareholders' funds.

While some of the weaker Texas banking groups such as the Dallas-based InterFirst and Houston's First City Bancorporation have either omitted or severely reduced their dividends, MCorp, along with Republic Bank Corporation and Texas Commerce Bancshares, has until now, maintained its dividends. Texas Commerce Bancshares recently announced an unchanged 39 cent a share dividend.

Mr Gene Bishop, MCorp's chief executive, said: "It is prudent and in the long-term best interests of MCorp and its shareholders to suspend common stock dividends until the outlook is improved." The action will save the company \$60m a year.

MCorp, whose 63 banks boast assets of \$22.2bn, said: "Management and the board are committed to the interests of shareholders which they believe will be best served by not seeking a merger partner during a period when the economic outlook could prevent attainment of fair values for the company and its franchise."

### Bid decision near on CGCT

**BY OUR PARIS STAFF**

THE FRENCH Government is next month to choose which international telecommunications company will control Compagnie Générale de Télécommunications (CGCT), the French state telecommunications manufacturer which has 16 per cent of the domestic public telephone switch market.

The decision will be made just before Christmas, the Industry Ministry said yesterday.

The main contenders - including AT&T of the US, Siemens of West Germany and Ericsson of Sweden - will be asked to submit their final proposals this month to the Finance and Economics Ministry, the Industry Ministry and the Post and Telecommunications Ministry.

French officials yesterday outlined the timetable leading to the final decision on CGCT, which has unleashed an industrial and diplomatic battle. The US and West Germany have put political pressure on the French to secure the deal for AT&T and Siemens.

Before the Government can select a winner, CGCT will have to complete its privatisation procedure. The first step will involve the selection by the Finance Ministry of bankers to advise the Government on the CGCT privatisation. The choice of bankers is expected to be announced next week. The main role of the banking advisers will be to help fix a minimum sale price.

The Government will ask the newly set up French privatisation commission to give it the green light to privatise CGCT through a closed-market deal without making a public share sale offer as for most other privatisations. Government officials expect the commission to give its approval by about November 29 for closed market privatisation of CGCT.

There will then be a one-month delay when all aspects of the privatisation and future of CGCT will be analysed. The Government said yesterday that the administration was keen to make the procedure leading up to the final selection of the international partner for CGCT as visible as possible.

### More international company news on Pages 28 and 41

Looking to 1987 Mr Spinoosa-Cattela was more optimistic, saying he expected Philips to "at least maintain the 1986 level of earnings" and possibly raise it.

Last month Philips had warned that third-quarter profits would probably slip as they had nearly every quarter for two years. Yesterday the company added that "it will be difficult to achieve the same level of results (for all of 1986) as in 1985."

Sales fell a more modest 12 per cent to Fl 12.7bn in the third quarter, reflecting not only currency translation losses but also slower than expected sales of television sets and video cassette recorders plus stiffer competition in the US and lower investments. The weaker dollar is boosting the competitiveness of American electronics equipment, particularly professional products and systems made in the US.

For the first nine months, net income plummeted 22 per cent to Fl 478m in spite of a notable improvement at Signetics, the US chip subsidiary, which lost about \$9m last year and dented overall profits.

### K mart to sell cafeteria offshoots for \$237.5m

**BY CHARLES HODGSON IN NEW YORK**

K MART, the second largest US retail store chain, announced yesterday that it was to sell its two cafeteria operations as part of a continuing restructuring programme.

The Michigan company said it had agreed to sell Furr's Cafeterias and Bishop Buffets to Cavaleide Holdings of Lubbock, Texas, for \$237.5m in cash.

The company said that, although the cafeterias had proved consistently profitable, "they are a small part of our business and are not in an area where we expect to grow."

K mart plans to redeem up to \$250m of high-cost long-term debt with the proceeds of the cafeteria sale. The debt redemption would lower interest expense and have a "favourable impact" on future earnings.

K mart also intended to divest itself of its unprofitable Designer Depot stores, set up in 1983. The measures were the latest step in an asset redeployment programme begun last year with the sale of K mart's insurance business and Mexican retailing outlet.

"We do not expect any further significant asset sales at this time," the company said. The net effect of the measures on this year's earnings was expected to be neutral.

K mart - the second largest after Sears, Roebuck - reported record sales of \$9.6m in the second quarter this year. Net earnings rose 55 per cent to \$118.4m, or 88 cents a share, in the quarter.

K mart expected "very good" sales in the current quarter although neither turnover nor profits would match the second quarter performance.

TRAVELERS, the US insurance company, reported a 32 per cent increase in third-quarter operating profits to \$113.6m or \$1.11 per share against \$86.1m or 94 cents a share last year.

### CPC moves to thwart bid

**By William Hall in New York**

CPC INTERNATIONAL, a leading producer of grocery products and an international corn miller, is planning to spend more than \$800m buying back more than a fifth of its equity in an apparent effort to thwart an unwelcome takeover bid.

The New Jersey company announced yesterday that it had hired Salomon Brothers, the New York investment bank, to develop strategies for restructuring the company to maximise values to stockholders.

The company's board of directors has authorised the repurchase initially of up to 10m of the company's 48.7m shares. The share repurchase will be financed from borrowings but the company intends ultimately to reduce or eliminate the debt through the disposal of assets resulting from the restructuring.

CPC International's shares rose by 5% to \$94 3/4 ahead of the news yesterday.

### Bertelsmann plans US stock issue

**BY ANDREW FISHER IN GÖTTERSLON**

BERTELSMANN, the rapidly expanding West German publishing, music and electronic media group, plans to issue about \$100m of redeemable preferred stock to institutional investors in the US to finance its two big acquisitions in the music field.

Mr Mark Woessner, chief executive of Bertelsmann, said the private placement would test the market for the company's stock, adding that institutions had shown keen interest.

He also said that the purchase of both the majority share in the RCA records and music business - it already had 25 per cent - and the Doubleday book publishing group would not totally inhibit Bertelsmann from making other, though less costly, investments.

The German company is paying more than \$300m for RCA and less than \$500m for Doubleday. Precise figures have not been given. Mr Woessner said the purchases would mark the start of a new development phase for both concerns.

Bertelsmann intends to make full use of the tax-related depreciation possibilities of both US companies by writing off about DM 160m (\$77.8m) annually and thus depressing stated net profits up to its 1986-87 financial year.

Net profits, based on DM 337m for DM 327m in the last financial year to June 30, 1986, as already indicated by the company, due to high start-up costs of new ventures. In 1985-86, they totalled DM 289m.

This year, with the extra depreciation and cost of servicing debt to finance the US purchases, net profits are likely to fall to DM 190m (without these two deals, DM 330m was forecast), with DM 150m estimated for 1987-87 and a rise to DM 300m for 1988-89.

"We want to digest these purchases in three to four years and be ready for new moves," Mr Woessner added. Of the \$800m or so needed for the takeovers, a further \$300m will come from bank loans, \$200m from recent Eurobond issues, and the remainder from its own resources.

Bertelsmann has liquid assets of about DM 800m, of which about \$250m would be available for the RCA and Doubleday financing. The two US companies will lift total turnover of Bertelsmann to DM 10.2bn this financial year from the 1985-86 level of DM 7.6bn, 2.2 per cent higher than the previous year.

Mr Woessner said Bertelsmann, almost 90 per cent of whose common stock is owned by Mr Reinhard Mohn who rebuilt the company after the Second World War, had no plans to issue ordinary shares. Its employees have profit-sharing certificates (Genuss-scheine).

As for the new acquisitions, he said RCA needed to be brought up to the profitability level of its two larger rivals, CBS and Warner. As well as changes in management style and organisation, he stressed "creativity and artistic potential above all."

At Doubleday, he said, Bertelsmann intended to develop a first-class hard-cover programme, develop the book-club side - the German company is already heavily involved in clubs - and promote co-operation in paperbacks with Bantam, the US publisher it bought in 1980.

### Pan Am sees its nine-month loss at \$265m

**By Our New York Staff**

PAN AM, parent of the sixth largest US air carrier, reported sharply lower third-quarter net profits of \$5.5m, or 4 cents a share, against \$21.1m, or 18 cents, last year.

For the nine months, Pan Am showed a \$265m loss, equal to \$1.37 a share, against a deficit of \$188.7m, or \$1.78 a share, for the same period of 1985.

The company said this year's results had been affected by weaker than expected passenger traffic on its transatlantic routes, due primarily to concern among Americans about terrorism in Europe.

The quarterly results also reflected a \$12.4m loss on foreign exchange operations, mostly related to Japanese yen-dominated debt. The three-month figures were not strictly comparable with last year, because 1985 results included Pan Am's Pacific operations which have since been sold to United Air.

Pan Am's airline business made a net loss of \$1.1m in the quarter, compared with a net profit of \$17.3m in the same period last year. This took the airline's pre-tax loss for the nine months to \$229.5m, compared with a \$203.2m deficit a year ago.

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November 1986

### Massa profits may double

**By Our Financial Staff**

MASSA, the fast-growing West German grocery chain which came to the stock market earlier this year, expects profits for 1986 to more than double.

Against net profits of DM 26m (\$13m) for 1985, Massa says in a share issue prospectus that earnings for the current year will rise to between DM 55m and DM 60m.

The company also forecasts a preference dividend for 1986 of DM 9 a share and a payment on ordinary shares of at least DM 8.

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CREDIT COMMERCIAL DE FRANCE

DEUTSCHE BANK CAPITAL MARKETS LIMITED

GOLDMAN SACHS INTERNATIONAL CORP.

KLEINWORT BENSON LIMITED

NOMURA INTERNATIONAL LIMITED

SALOMON BROTHERS INTERNATIONAL Limited

UNION BANK OF SWITZERLAND (SECURITIES) Limited

October, 1986

NOTICE OF REDEMPTION

To the Holders of K.F.T.C.I.C.

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Kuwaiti Dinars 7,000,000  
10 per cent. Notes due 7th December, 1990

NOTICE IS HEREBY GIVEN to the holders of the outstanding 10 per cent. K.F.T.C.I.C. Notes due 7th December, 1990, that, pursuant to the provisions of Clause 5 (b) of the Terms and Conditions of the Notes, K.F.T.C.I.C. intends to redeem on 7th December, 1986, (the "Redemption Date") all of the outstanding Notes, at a redemption-price equal to 101 per cent. of the principal amount thereof.

Repayment of the relevant percentage of the principal amount together with payment of the accrued interest to the Redemption Date will be made in Kuwaiti Dinars on and after 7th December, 1986, against presentation and surrender of the Notes to the Fiscal and Principal Paying Agent at its office in Souk Al-Watayya, Abu Baker Street, Kuwait City, Kuwait or (in the case of those Paying Agents outside Kuwait on and after 8th December, 1986) at the offices of any of the Paying Agents specified below.

The Notes should be surrendered for payment together with all unexpired Coupons appertaining thereto. Interest will cease to accrue upon any outstanding Notes on the Redemption Date.

PAYING AGENTS

Morgan Guaranty Trust Co. of New York  
Morgan House,  
1 Angel Court,  
London EC2R 7AE,  
England.

Kuwait Investment Co. S.A.K.  
Mubarak Al Kabir Street,  
P.O. Box 1005,  
13011 - Safat,  
Kuwait City,  
Kuwait

Morgan Guaranty Trust Co. of New York  
Rue de la Regence 4,  
B-1000 Brussels,  
Belgium.

Kreditbank S.A. Luxembourgise  
43 Boulevard Royal,  
P.O. Box 1108,  
Luxembourg.

By  
The National Bank of Kuwait SAK  
(as Fiscal and Principal Paying Agent)

Dated: 6th November, 1986

Akzo NV Arnhem Holland

The Board of Management and Supervisory Council of Akzo N.V. decided to distribute for the fiscal year 1986 an interim dividend of NLG 1.50 per ordinary share of NLG 20.-

As from 18 November, 1986 the above dividend of NLG 1.50 per ordinary share will be payable against surrender of coupon no. 27 at:  
Barclays Bank PLC  
Stock Exchange Services Department  
54 Lombard Street  
London EC3P 3AH  
and  
Midland Bank PLC  
International Division  
Securities Services Department  
110-114 Cannon Street  
London EC4N 6AA

U.K. Residents  
Dividends so payable for U.K. residents will be paid less 15% withholding tax and U.K. income tax will be deducted from the gross dividend.

Residents of other countries  
For residents of countries other than the United Kingdom with which the Netherlands has a Double Taxation Agreement, the rate of withholding tax (if any) will be adjusted upon provision by the presenting authorised depository of the completed necessary documents (Form 92, etc.).  
Where no such form is submitted withholding tax at the rate of 25% will be deducted. Unclaimed tax at the standard rate will be deducted unless claims are accompanied by the appropriate affidavit forms.  
Information concerning any of the above-mentioned documents may be obtained from Barclays Bank PLC and Midland Bank PLC.

Arnhem, 5 November, 1986



Public Works Loan Board rates

Years	Quota loans repaid at		Non-quota loans A* repaid at	
	by EIP†	AS maturity‡	by EIP†	AS maturity‡
1	11.1	11.1	11.1	11.1
Over 1 up to 2	11.1	11.1	11.1	11.1
Over 2 up to 3	11.1	11.1	11.1	11.1
Over 3 up to 4	11.1	11.1	11.1	11.1
Over 4 up to 5	11.1	11.1	11.1	11.1
Over 5 up to 6	11.1	11.1	11.1	11.1
Over 6 up to 7	11.1	11.1	11.1	11.1
Over 7 up to 8	11.1	11.1	11.1	11.1
Over 8 up to 9	11.1	11.1	11.1	11.1
Over 9 up to 10	11.1	11.1	11.1	11.1
Over 10 up to 15	11.1	11.1	11.1	11.1
Over 15 up to 25	10.2	10.2	10.2	10.2
Over 25	10.1	10.1	10.1	10.1

\* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Shearson Lehman Brothers Holdings Inc.

U.S. \$500,000,000  
Floating Rate Notes Due 1991

For the three months 6th November, 1986 to 6th February, 1987 the Notes will carry an interest rate of 6 1/4% per cent. per annum and interest payable on the relevant interest payment date 6th February, 1987 will amount to U.S. \$154.93 per U.S. \$10,000 Note.  
By Morgan Guaranty Trust Company of New York, London Agent Bank

INTL. COMPANIES and FINANCE

Support for Wah Kwong package

BY DAVID DODWELL IN HONG KONG

WAH KWONG, the ailing Hong Kong shipowner group, yesterday won backing from 35 of its 45 financial creditors for a restructuring package that must be agreed within the next week.

The breakthrough coincided with last minute hitches for C. H. Tung, Hong Kong's second largest shipowner, which collapsed 14 months ago with debts of US\$2.5bn. With formal signing of a restructuring package due next Monday, European American Bank has filed a writ against the company, while Toyo Menka, a leading Japanese creditor, remains firmly opposed to the reconstruction.

Reports later in the day suggested, however, that European American had already withdrawn its suit.

Wah Kwong's financial

adviser, Amex Asia, appeared in confident mood yesterday perhaps the first time since the group floundered in January with debts of about US\$850m. They expected approvals from a further three creditors by the end of the day, while two Japanese creditors have agreed to sign a "stand-still" agreement under which they will start no legal proceedings against the group.

Yesterday's formal signing session, attended by all creditors, came after months of crisis during which the disparate demands of creditors appeared certain to undermine the restructuring effort.

Only two weeks ago, Chase Manhattan Bank was persuaded to fall into line with other creditors after having arrested

three vessels and begun legal proceedings against the group. Citibank was also in dispute earlier in the summer. Both Chase and Citibank were among the creditors which yesterday agreed to the restructuring plan.

Under the plan, secured creditors, holding "senior debt," will get the present asset value of the vessels over a right to 20 per cent of the sum for which they are undersecured, called the "junior debt," and a number of shares in the restructured group.

Unsecured creditors will be entitled to 20 per cent of their junior debt in addition to 50 per cent of the value of vessels already taken possession of which they have security will be

entitled to shares, plus 10 per cent of their junior debt. Shearson Lehman, acting as financial adviser to the C. H. Tung private group, said yesterday it was confident that the differences with European American Bank could be resolved quickly.

C. H. Tung has a total of 120 large creditors, making the rescue one of the most complex ever orchestrated.

More serious for the group is the disagreement with Toyo Menka, which is concerned that nullity rights in the plan will prevent it from cancelling orders for new building orders which are likely to be cancelled under the restructuring plan.

It is hoped that once other Japanese creditors have endorsed the plan, Toyo Menka will have no choice but to fall into line.

South African Breweries strongly ahead

By Jim Jones in Johannesburg

SOUTH AFRICAN Breweries (SAB), the country's diversified beer, beverage, hotels and retail group, benefited from a resurgence of consumer spending in the six months to September and expects sales to improve further in the second half of its financial year.

First-half turnover rose to R2.2bn (R1.4bn) from R2.5bn and pre-tax profits increased to R148.6m, against R72.6m.

SAB has a monopoly of the country's brewing industry and increased beer sales volumes by 12 per cent on the corresponding period of 1985. The attributable after-tax earnings from beer increased by 25 per cent to R53.3m, representing two-thirds of the half-year's R79.4m attributable group profit. The company expects to benefit further from improved use of resources and lower interest rates.

First-half per share earnings rose to 30.3 cents from 19.4 cents and the interim dividend has been raised to 12.5 cents from 10 cents. Earnings totalled 82.5 cents in the last financial year as a whole and a total dividend of 37 cents was paid.

SAB is indirectly controlled by Anglo American Corporation, South Africa's largest mining and industrial group, through Premier Group.

China Light lifts profits 16%

BY OUR HONG KONG CORRESPONDENT

CHINA LIGHT and Power, Hong Kong's leading supplier of electricity, yesterday reported profits of HK\$1.47bn (US\$188.5m) for the year to September, a 16 per cent increase on profits of HK\$1.27bn in the previous year.

The group did not reveal gross earnings, nor any breakdown of the sum for the year. It said unit sales of electricity rose by 11.6 per cent between 1985 and 1986, following a 7 per cent increase from 1984.

China Light, which is controlled by a family interests linked with Lord Kadoorie, has a monopoly of electricity supplies to Fwylow and the New Territories. These accounts for just under 75 per cent of total

sales in Hong Kong. A second utility, Hongkong Electric, provides the remainder, having a monopoly of sales on Hong Kong Island.

China Light has seen much more rapid growth than Hongkong Electric in recent years, in part because most of Hong Kong's population growth has occurred in the New Territories for electricity has emerged from the neighbouring Chinese province of Guangdong.

Sales to China amounted to 8 per cent of total electricity sales in 1986 after an average annual growth of more than 60 per cent since 1982. The company yesterday gave no details of its growth in sales to China, though

it recently sealed a harder deal in which it will in future supply Guangdong province with electricity in exchange for coal.

At present, China Light carries about 5m tonnes of coal a year, much of it coming from South Africa. But this is expected to rise to about 6m tonnes by 1988, when the first two units of its new Castle Peak power station reach full production. The supplies from China, pursuant to the recent barter agreement will play an important part in meeting the increased need.

The company announced a final dividend of 21 cents a share, bringing the total for the year to 50 cents. This compares with 50 cents per share in 1985.



World Pulp & Paper Conference

11 & 12 December 1986, London

For information please return this advertisement, together with your business card, to:  
Financial Times Conference Organisation  
Minster House, Arthur Street,  
London EC4R 9AX.  
Alternatively, telephone 01-621 1355 or telex 27347 FITCONF G fax 01-623 8814

AUTOPISTAS DEL MARE NOSTRUM S.A.  
US\$175,000,000  
Guaranteed Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 7th November, 1986 to 7th May, 1987 has been fixed at 4 1/2 per cent per annum. The Coupon Amount will be US\$307.95 and will be payable on 7th May, 1987 against surrender of Coupon No. 4.

Manufacturers Hanover Limited Agent Bank

Singapore Land income plunges

BY STEVEN BULTER IN SINGAPORE

SINGAPORE LAND, one of Singapore's largest private developers, yesterday reported a 31 per cent decline in group pre-tax profits to S\$23.4m (US\$10.7m) for the year ended August, reflecting continuing weakness in Singapore's property market.

An 83 per cent cut in tax payments, however, combined with extraordinary items worth S\$5.2m boosted consolidated profits attributable to shareholders by 3.8 per cent to S\$24.4m.

After-tax earnings per share

fell from 25 cents to 21 cents, while net tangible assets backing per ordinary share were valued at S\$5.32.

The company said the continued property glut in Singapore would cause earnings to suffer more in the coming year.

Singapore Land has a 52 per cent interest in the Marina Centre project, due to open in December, and will eventually own 50 per cent of its three luxury hotels, and all of the retail mall. When the complex opens it is expected to result in a cash drain for the group

for at least several years. Several measures were announced yesterday, however, to strengthen the group's balance sheet, including refinancing of S\$192m of existing bank debt at lower interest rates.

The group also announced a rights issue of 6 per cent convertible unsecured loan stock, which is expected to raise between S\$28m and S\$107m.

Mr. David Davies, formerly managing director of Hongkong Land, will be joining the board of Singapore Land.

Sales recovery at Plascon

PLASCON-EVANS, one of South Africa's largest paint manufacturers, has recovered partially from the sales declines of 1985 but is taking a cautious view on immediate prospects, writes Jim Jones in Johannesburg.

Turnover rose by 35 per cent to R352m (\$155.2m) in the year to September from R264m in the previous year, though this reflected only comparatively small volume sales increases to the depressed motor and build-

ing sectors. The acquisition of hardware distributor increased turnover by 15 per cent.

Operating profits before interest and tax increased to R29.6m from R21.1m and pre-tax profits rose to R27.1m from R18m.

Earnings per share increased to 83.5 cents from 37.6 cents and the dividend has been lifted to 35 cents from 15 cents. Plascon-Evans is an 82 per cent owned subsidiary of Barlow Rand, the industrial and mining group.

CRA to raise A\$309m

CRA, the Australian resources group, is to make a one-for-eight rights issue at A\$5 per share to raise A\$309m (US\$198.6m), Reuter reports from Melbourne.

The issue price is well below the market close yesterday of A\$7.86. The shares will be payable A\$2.50 on acceptance on or before December 18 and the balance by June 15 1987.

CRA said in a statement that funds raised would be used for exploration and capital expenditure, which in recent years has been financed through internal resources and a substantial rise in borrowings.

The issue will improve the group's balance sheet and place

it in a stronger financial position to undertake new developments, CRA said.

Rio Tinto-Zinc, the UK-based multinational, has according to CRA, indicated it would take up its 40 per cent entitlement to the issue in full.

New shares will not rank for any final dividend declared for calendar 1986 but they will be entitled fully for any dividends declared for 1987, subject to payment of the balance.

Rights will trade from November 13 to December 8. The issue is not underwritten, but Potter Partners has been appointed broker to the issue, CRA added.

JAPANESE COMPANY RESULTS

ANIMOTION FOODS, ADDITIVES			CASIO COMPUTER CALCULATORS, WATCHES		
Half-year to	Sep. '86	Sep. '85	Half-year to	Sep. '86	Sep. '85
Revenue (bn)	205	218	Revenue (bn)	103	128
Pre-tax profits (bn)	13.7	13.7	Pre-tax profits (bn)	2.2	6.18
Net profits (bn)	9.51	8.2	Net profits (bn)	1.28	4.18
Net per share	12.34	13.10	Net per share	5.83	21.57
Dividend	8	8	Dividend	Nil	Nil

ASAHI CHEMICAL INDUSTRY SYNTHETIC FIBRES			MITSUBISHI PETROLEUM REFINING, METALS		
Half-year to	Sep. '86	Sep. '85	Half-year to	Sep. '86	Sep. '85
Revenue (bn)	158	205	Revenue (bn)	316	311
Pre-tax profits (bn)	14.38	13.36	Pre-tax profits (bn)	5.81	2.70
Net profits (bn)	8.82	7.59	Net profits (bn)	0.75	2.02
Net per share	6.67	5.31	Net per share	0.57	2.62
Dividend	3	3	Dividend	Nil	Nil

Chase Corporation Finance B.V.  
US\$45,000,000  
Five-Year Multicurrency Revolving Credit Facility  
Guaranteed by  
  
Chase Corporation Ltd.  
Auckland, New Zealand  
Arranged by  
PNC International Financial Services Limited  
Provided by  
National Australia Bank Limited, Societe Generale, Australia Limited, Christiania Bank Og Kreditkasse, Istituto Bancario San Paolo di Torino, Italian International Bank Pk, Sumitomo Trust Finance (Australia) Limited, Nederlandsche Handelsbank NV  
Agent  
Pittsburgh National Bank  
September 1986  
This announcement appears as a matter of record only.

November 8, 1986  
  
Ente Nazionale per l'Energia Elettrica (ENEL)  
SDR 100,000,000  
Floating Rate Debentures due 1986  
Extendible at the Debenture holder's Option to 1989  
Guaranteed by the Republic of Italy  
In accordance with the terms and conditions of the Debentures, notice is hereby given that for the interest period commencing on November 7, 1986 the Debentures will bear interest at the rate of 8 1/4% per annum. The interest payable on the relevant Interest Payment Date, May 7, 1987 against Coupon No. 12 will be SDR 164.9740.  
The US\$/SDR rate which will determine the US\$ amount payable in respect of Coupon No. 12 will be fixed together with the Interest Rate for the period commencing May 7, 1987, on May 5, 1987.  
Fiscal Agent  
ORION ROYAL BANK LIMITED  
A member of The Royal Bank of Canada Group

Chase Corporation Ltd.  
Auckland, New Zealand  
Arranged by  
PNC International Financial Services Limited  
Provided by  
National Australia Bank Limited, Societe Generale, Australia Limited, Christiania Bank Og Kreditkasse, Istituto Bancario San Paolo di Torino, Italian International Bank Pk, Sumitomo Trust Finance (Australia) Limited, Nederlandsche Handelsbank NV  
Agent  
Pittsburgh National Bank  
September 1986  
This announcement appears as a matter of record only.

Series 045  
U.S. \$42,000,000  
Short-term Guaranteed Notes issued in Series under a U.S. \$280,000,000 Note Purchase Facility by  
Mount Isa Mines (Coal Finance) Limited  
Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement, dated 30th March, 1983, carry an Interest Rate of 8 1/4% per annum. The Issue Date of the above Series of Notes is 7th November, 1986 and the Maturity Date will be 7th May, 1987. The Euro-clear reference number for this Series is 25315 and the CEDEL reference number is 92290.  
Manufacturers Hanover Limited  
Issua Agent  
8th November, 1986

Handwritten signature: Jp Di... 150



Deutsche Bank Eurobond includes currency option

BY HAIG SIMONIAN

DEUTSCHE BANK set Continental tongues wagging in the Eurobond market yesterday by leading the first Euro-DM bond incorporating a currency option.

quiet Swiss franc market which saw prices little changed. The coupon on the SF 30m 1991 equity warrant issue for Yasuda Fushuoku has been cut to 2 1/2 per cent.

UK wins four Tokyo securities licences

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance has agreed in principle to grant securities licences to affiliates of eight more foreign banks, four of them British.

Peter Montagnon on Tokyo's efforts to broaden its bond trading role Lack of liquidity cramps Japan

BUSINESS in the Japanese Government bond market has seen unprecedented expansion over the past two years. Yet it still suffers from a number of inefficiencies and anomalies that are likely to impede its development into a fully-fledged internationally-traded market for some time to come.

Although it is not specifically conceived as a progress report on Japan's response to pressure from the US and other countries to modernise its financial markets and open them up to outsiders, the report gives some new insights into the effect that the US and other countries have had on the Japanese securities trading market.

Salomon says the current low level of Japanese interest rates has muted the impact on the market of the traditional investor preference for high-coupon bonds. Largely for tax reasons, however, this is still a strong background factor.

Salomon says the current low level of Japanese interest rates has muted the impact on the market of the traditional investor preference for high-coupon bonds. Largely for tax reasons, however, this is still a strong background factor.

GROSS PURCHASES OF JAPANESE DOMESTIC BONDS

Table with 3 columns: Bonds, 1978, 1982, 1985. Rows include Banks, Insurance and pension funds, Corporations, Foreign, Individuals, Dealers.

Source: Salomon Brothers/Japanese Bond Underwriters Association.

One other aspect of the market which Salomon highlights is the broader range of maturities available both as the government starts issuing 20-year bonds and as some older bonds move towards maturity.

TSE members agree to cut commissions

By Ian Rodger in Tokyo

MEMBERS of the Tokyo Stock Exchange agreed yesterday to cut brokerage commissions on large lot share transactions.

CME seeks approval to trade dollar index futures

BY DAVID OWEN IN CHICAGO

THE CHICAGO Mercantile Exchange has applied to the Commodity Futures Trading Commission the US futures industry watchdog, for approval to trade a dollar index futures contract following the success of a similar contract in New York.

The CME index will be based on the US dollar value of three currency futures contracts—sterling, D-Marks and yen—each of which are already traded individually on the exchange.

UK wins four Tokyo securities licences

By Yoko Shibata in Tokyo

THE JAPANESE Ministry of Finance has agreed in principle to grant securities licences to affiliates of eight more foreign banks, four of them British.

Daimler offers big discount on rights issue

BY ANDREW FISHER IN FRANKFURT

DAIMLER-BENZ yesterday confirmed plans to raise DM 525m (\$257m) via a rights issue. Terms are one-for-11 and, as expected, the price is DM 150 a share.

The rights price represents a huge discount on the stock market price of the shares which yesterday rose DM 6 to DM 1,290.

Expansion of its business beyond luxury cars and commercial vehicles into electronics, engines and aerospace through its stakes in AEG, MTU, and Dornier, Turner says this year is expected to reach around DM 65bn (\$31bn).

centenary bonus. Market analysts pointed out that, even without the bonus, Daimler would still be raising its total payout to shareholders if it held its basic dividend on the higher capital.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on November 5

Large table with columns for Bond Name, Issue, Maturity, Price, Yield, etc. Includes sections for US Dollar, FT International Bond Service, and various international bonds.

Barbados considers Europaper

By Peter Montagnon, Euromarkets Correspondent

BARBADOS IS considering the establishment of a Euro-commercial paper facility, according to Mr Winston Cox, a senior central bank executive.

CITIBANK, N.A. Treasury Note Calls 200,000 Warrants to Purchase 7 1/2% U.S. Treasury Notes Due October 15, 1993. Includes Citicorp Investment Bank logo and contact information.





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## INTL. COMPANIES AND FINANCE

### Power Financial lifts stake in Swiss investment group

BY ROBERT GIBBENS IN MONTREAL

POWER Financial Corporation (PFC), a financial services arm of Power Corporation of Canada, Montreal, has invested a further \$24m (US\$30m) to bring its voting interest in Pargesa Holding of Geneva, to 17.1 per cent, from 10 per cent. PFC planned this step early this year but the process of gaining Swiss Federal banking approval proved lengthy. Under a ruling just received PFC can increase its voting interest to a maximum of 20 per cent of Pargesa, a major investment group controlling Paribas (Swiss), the investment bank. PFC has bought registered and bearer shares of Pargesa to bring its total investment to \$185m or 17.1 per cent. This now has a market value of almost \$300m.

Analysts expect that PFC will increase its holdings in the short term to 20 per cent. PFC declined to comment on the possibility that its holding in Pargesa would be accounted for on an equity basis.

Mr Paul Desmarais president of PFC, said that the Power Corporation Group wanted to increase its international ties and PFC would now be on a more equal footing with Pargesa's two other principal stockholder groups. These are represented by its joint

managing directors, Belgian industrialist Mr Albert Frere and banker Mr Gerard Eskenazi. Pargesa almost doubled its profit to about US\$4m in the first half of this year and is expected to pay rising dividends.

Power Corporation, controlled by Montreal financier Mr Paul Desmarais Sr, owns 70 per cent of PFC and completes a major restructuring this week. As a result, the public holdings of two major financial servicing subsidiaries have increased substantially and Power Corporation and PFC have built up estimated cash reserves of \$650m with virtually no long-term debt.

### Shrinking margins on exports hit Kawasaki

By Yoko Shibata in Tokyo

KAWASAKI Heavy Industries (KHI), Japan's second largest heavy machinery manufacturer and shipbuilder, yesterday reported a pre-tax loss of ¥15.8bn (\$97.1m) in the first half to September. After operating in the red for the first time since 1949, KHI was affected by the slump in shipbuilding and shrinking margins on exports of plant and motorcycles.

It reported a net loss of ¥16.01bn, down from a breakeven the previous year, on sales of ¥272.5bn, a fall of 20 per cent from the previous year.

During the half-year, the ratio of ship sales to total turnover fell below 10 per cent for the first time. Sales of rolling stock and generators fell 18.1 per cent and 23.8 per cent, respectively, while sales of aircraft fared well, up 12.1 per cent. The company's exports fell 33.6 per cent to account for 31.4 per cent of all sales, hit by the surge in the yen's value. The export ratio to total sales in the previous year was 28 per cent. KHI suffered a foreign exchange loss of ¥18bn.

For the full year, KHI expects to register a pre-tax loss of about ¥30bn on flat sales of ¥700bn.

### Dow agrees deal with Milan group

BY ALAN FRIEDMAN IN MILAN

DOW CHEMICAL, the US company which already has a sizeable Italian subsidiary business, said last night it had reached agreement with Mazzucchelli, the Milan-based plastic materials company, to co-operate on technology and manufacturing of thermoplastic compounds. The Dow-Mazzucchelli agreement, which includes the transfer of technology and licences from the US to Italy, will see Dow producing new special materials at the Italian company's plant, which has capacity for the manufacture of 15,000 tonnes a year. Financial terms of the deal were not disclosed.

● Pirelli Spa, the Milan-based holding company which controls 40 per cent of the Italian tyre group's world-wide operations, yesterday revealed a list of its 10 biggest

shareholders which shows Kreditbank of Luxembourg as the second biggest Pirelli Spa shareholder.

The Pirelli Spa list shows Kreditbank with 6.06 per cent of the equity, against the Pirelli family with 13.7 per cent. Fidis, a Fiat financial company, has more than doubled its share stake in Pirelli Spa to reach 5.25 per cent of the shares.



## EUROPEAN INVESTMENT BANK

ECU 125,000,000

7 3/4 per cent. Bonds due 1993

Issue Price: 101 per cent.

Bank of Tokyo International Limited

- |                               |                          |
|-------------------------------|--------------------------|
| Credit Commercial de France   | EBC Amro Bank Limited    |
| Merrill Lynch Capital Markets | Morgan Guaranty Ltd      |
| Morgan Stanley International  | Orion Royal Bank Limited |
| Privatbanken A/S              | Société Générale         |
| S.G. Warburg Securities       |                          |

NEW ISSUE

All these Bonds having been sold, this announcement appears as a matter of record only.

NOVEMBER 1986

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

5th November, 1986



## SHIKOKU ELECTRIC POWER COMPANY, INCORPORATED

U.S. \$70,000,000  
8 1/2 per cent. Notes 1993

Issue Price 101 1/2 per cent.

Nomura International Limited

IBJ International Limited

Union Bank of Switzerland (Securities) Limited

Algemene Bank Nederland N.V.

Banque Paribas Capital Markets Limited

Daiwa Europe Limited

Manufacturers Hanover Limited

Mitsubishi Finance International Limited

Mitsui Finance International Limited

The Nikko Securities Co., (Europe) Ltd.

Sumitomo Finance International

Westdeutsche Landesbank Girozentrale

Yamaichi International (Europe) Limited

Weekly net asset value



**Tokyo Pacific Holdings (Seaboard) N.V.**  
on 4th Nov., 1986 U.S. \$124.92

Listed on the Amsterdam Stock Exchange

Information: Plarson, Halving & Plarson N.V., Herengracht 214, 1016 BF Amsterdam.

### AIBD BOND INDICES

WEEKLY EUROBOND GUIDE OCTOBER 31 1986

Redemption on	Yield	Change on Week	12 Months High	12 Months Low
US Dollar	8.696	-0.379	10.630	8.696
Australian Dollar	14.268	-0.175	14.430	12.830
Canadian Dollar	10.423	-0.771	11.704	10.373
Eurobond	5.526	-0.171	6.314	5.804
Euro Currency Unit	8.731	-0.447	9.324	8.164
Yen	6.396	-0.437	7.250	6.207
Swedish	11.365	-0.325	11.932	9.751
Deutschmark	6.477	0.217	7.210	6.318

Bank J. Vontobel & Co Ltd, Zurich - Telex 81274 JYZ CH

November 6, 1986

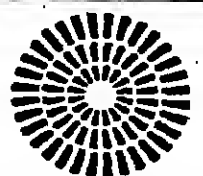
### US\$75,000,000 Vizcaya International N.V.

Guaranteed Floating Rate Notes Due 1996 (Redeemable at the option of the holders in 1992 and 1994)

Unconditional Guaranteed by Banco de Vizcaya, S.A.

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period commencing on November 7, 1986 the Notes will bear interest at the rate of 6 1/4% per annum. The interest payable on the relevant Interest Payment Date, May 7, 1987, against Coupon No. 6 will be US\$314,236,111 per US\$10,000 Note.

Agent Bank  
**ORION ROYAL BANK LIMITED**  
A member of The Royal Bank of Canada Group



### U.S. \$75,000,000 Southeast Banking Corporation (Incorporated in Florida, U.S.A.)

Floating Rate Subordinated Capital Notes Due 1997

For the six months 6th November, 1986 to 6th May, 1987 the Notes will carry an interest rate of 6 1/4% per annum. Interest due on 6th May, 1987 will amount to U.S. \$307.95 per U.S. \$10,000 Note.

Morgan Guaranty Trust Company of New York  
London Agent Bank

Handwritten note: JP Div 150











BIRD SEMPLE & FYFE IRELAND

The partners of



FYFE IRELAND & CO. W.S.

are pleased to announce that their firms will amalgamate in the Spring of 1987 with offices in Edinburgh and Glasgow under the name of

BIRD SEMPLE & FYFE IRELAND W.S.

SOLICITORS

Corporate Commercial Property Litigation Personal

240 West George Street Glasgow G2 4RB Tel: 01-224 7000 Telex: 72388 Fax: 01-224 1902

Fyfe Ireland & Co. W.S. 27 Leith Walk Edinburgh EH3 7JG Tel: 01-225 474 Telex: 72388 Fax: 01-225 2313

GRANVILLE

SPONSORED SECURITIES

Table with columns: High/Low, Company, Price, Change, Yield, P/E, Fully Paid. Lists various companies like Ass. Brit. Ind. Dtd., Ass. Brit. Ind. CUSL, etc.

Granville & Company Limited 8 Lovat Lane, London EC3R 8EP Telephone 01-621 1212 Member of FIMBRA

Granville-Davies Coleman Limited 27 Lovat Lane, London EC3R 8DT Telephone 01-621 1212 Member of the Stock Exchange

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100), engineering orders (1980=100), retail sales volume (1980=100), retail sales value (1980=100), registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

Table with columns: Ind. prod., Eng. output, Retail vol., Retail value, Unemployed, Vacancies. Rows for 1985 and 1986 quarterly and monthly data.

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (metals and fuels), engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

Table with columns: Consumer goods, Invest. goods, Interm. goods, Eng. output, Metal, Textile, Housing starts. Rows for 1985 and 1986 quarterly and monthly data.

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

Table with columns: Export volume, Import volume, Visible balance, Current balance, Oil balance, Terms of trade, Reserve US\$bn. Rows for 1985 and 1986 quarterly and monthly data.

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HPI, new credit; all seasonally adjusted. Clearing Bank base rate (and period).

Table with columns: M0, M1, M3, Bank adv., HPI, New credit, Clearing Bank base rate. Rows for 1985 and 1986 quarterly and monthly data.

INFLATION—Indices of earnings (Jan 1980=100); basic materials (1980=100); and metals, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

Table with columns: Earnings, Basic materials, Metals, Wholesale prices, Retail prices, Food prices, Commodity index, Sterling. Rows for 1985 and 1986 quarterly and monthly data.

\* Not seasonally adjusted. † From January 1985 includes amounts outstanding on credit cards.

APPOINTMENTS

Hambros Europe business post

In the expectation of increasing European business over the next two years the barriers to trade in financial services and financial instruments come down in the EEC, HAMBROS BANK has appointed Mr Timothy Lane, formerly a partner in Peat Marwick Continental Europe, as head of its European mergers and acquisitions team and a director of the bank. He will lead a specialised team being recruited to handle cross-border M & A work which will work alongside Hambros corporate finance department.

Mr Nicholas Baring has been appointed deputy chairman of BARINGS, holding company for the Baring Group. He will continue as chairman of Baring Investment Management (Holdings) and will succeed Mr Baring as chairman of the subsidiary investment management companies Baring Investment Management, Baring International Investment Management, Baring Fund Managers and Baring Quantitative Management.

ROYAL QUINANCE (UK) has appointed Mr D. F. Brethwood as deputy general London market operations.

AK BSR INTERNATIONAL Mr Clarke S. Y. So has relinquished his post as a member of the board to enable him to concentrate on BSR's growing core-business of electronics through Astec International, a Hong Kong. Mr So will continue in his existing principal role as managing director of Astec and will remain a member of the group's Hong Kong-based operations committee.

From December 1 Mr A. C. (Tony) Kitchman, chief executive of TEQUILA, Long Eaton, Nottinghamshire. He succeeds Dr R. Haynes, who has retired.

Following the resignation of Mr D. G. Gibby, SAUTER AUTOMATION has appointed Mr John Wadsworth as general manager. He was appointed to the main board several months ago as contracts director.

SMITH NEW COURT has appointed Mr Lawrence Chui, senior fund manager with Robert Fleming and Company, to its wholly-owned Far Eastern stock broking subsidiary, Smith New Court Far East, as managing director of its London office.

CUSSINS PROPERTY GROUP, Newcastle, has appointed Mr P. Alastair Mackenzie as its commercial director from November 18. He was director of development for Argyll Stores.

CLARKSON PUCKLE GROUP, member of the Dalgety Group, has appointed Mr Nigel Merris as managing director of Clarkson Puckle Midlands.

Mr D. N. Vernon has retired as a deputy chairman of E. W. PAYNE COMPANIES. He will remain on the board as a non-executive director.

Mr Eric Corben, a former partner and consultant with Gilbert Elliot and Co, has been appointed a director of HILL SAMUEL & CO. He will be responsible for the development of the bank's distribution capability in the debt, unsecured loan stock and huddling markets.

Mr E. G. H. Harrison has been appointed chief accountant at BOWTHORPE HOLDINGS, with overall responsibility for group financial accounting.

Sir Ronald Mason has been appointed a director of HUNTING ASSOCIATED INDUSTRIES. Sir Ronald was appointed to the

board of Hunting Engineering, a subsidiary, in March 1985. In the past he was professor of chemistry at the University of Sussex and, prior to that, was chief scientific adviser to the Ministry of Defence.

Mr Brian Cook, Mr Peter Jones and Mr Ben Weston have been named as managing directors of BANKERS TRUST COMPANY. All are based in London. Mr Cook heads the bank's Middle East & Africa group. Mr Jones is concerned with mergers and acquisitions, and Mr Weston is in charge of capital markets.

Mr David L. Donald has been appointed to the board of ARACO INVESTMENTS following completion of the acquisition by Araco of Burgoyne Aldred. He is deputy chairman of Burgoyne Aldred.

BINDER HAMLIN has submitted the following into partnership in the London office: Mr William Casey, director of the financial management division of Binder Hamlyn Management Consultants; Mr Christopher Jones, business client department; Mr Alastair Scrimgeour, corporate finance department; and Mr Phillip Sykes, special department.

The following appointments have been made by CARDIFF BUS. Mr Frank Yates has been appointed managing director and will take up his appointment on November 10. He comes from Ratby Engineering where he was commercial director. Other appointments include: Mr Keith Prowse as director (operations); Mr John Whalton as director (commercial and administrative); and Mr Philip Close as financial controller.

DIXONS GROUP has made two appointments at its recently acquired SuperSnap business. Mr Andrew Miller will become managing director at the beginning of December. He is deputy chief executive of the wholesale division of Combined English Stores and was previously with Habitat Mothercare. Mr Brian Perkins is made sales director of SuperSnap. He was south east regional general manager for Dixons.

Mr Marka Burham, managing director of CW COMMUNICATIONS UK has been promoted to vice president in charge of northern Europe. Mr Durham remains managing director as well as taking on additional responsibility for the Norway, Sweden, Denmark and Holland subsidiaries.

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NOTICE OF REDEMPTION

To the Holders of

KONE CORPORATION

U.S. \$50,000,000 Floating Rate Notes Due 1994, due June, 1994

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust Deed and the Paying Agency Agreement, each dated June 7, 1984 providing for the above Notes (the "Notes"), and Condition 4(b) of the Notes, Kone Corporation has elected to redeem all of the outstanding Notes on December 9, 1986, at an interest payment date, at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to said date.

On December 9, 1986, the Notes will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Notes will be paid, upon presentation and surrender thereof with all unexpired coupons appertaining thereto at the option of the holder either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015 or (b) at the main offices of any of the following: Morgan Guaranty Trust Company of New York in Brussels and London, and Banque Generale du Luxembourg in Luxembourg.

Coupons falling in December 1986, should be detached and collected in the usual manner. On and after December 9, 1986 interest shall cease to accrue on the Notes.

Payments at the office of any Paying Agent outside of the United States will be made by dollar cheque drawn on, or by transfer to a dollar account maintained by the payee with a bank in New York City. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if payee not recognized as exempt recipient. Failure to provide the Paying Agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person, or an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

KONE CORPORATION

By: Morgan Guaranty Trust Company of New York, Principal Paying Agent

Dated: November 6, 1986

New Issue November 6, 1986

All of these bonds having been placed, this announcement appears for purposes of record only.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT Washington, D.C.

DM 300,000,000 6% Deutsche Mark Bonds of 1986, due 1996



Offering Price: 96% Interest: 6% p.a., payable annually on July 15 Repayment: July 15, 1996 at par Listing: at all German stock exchanges

- List of banks: Deutsche Bank, Dresdner Bank, Commerzbank, Westdeutsche Landesbank Girozentrale, Arab Banking Corporation - Daus & Co. GmbH, Bank für Gemeinwirtschaft Aktiengesellschaft, Bayerische Landesbank Aktiengesellschaft, Berliner Bank Aktiengesellschaft, Citibank Aktiengesellschaft, Deutsche Girozentrale - Deutsche Kommunalbank - DGL Bank, Deutsche Siedlungs- und Landesrentenbank, Georg Hauck & Sohn Bankiers Kommanditgesellschaft, Landesbank Schleswig-Holstein Girozentrale, Morgan Guaranty GmbH, Norddeutsche Landesbank Girozentrale, Karl Schmidt Bankgeschäft, Schweizerische Bankgesellschaft (Deutschland) Aktiengesellschaft, Thienhaus & Burkhardt KGaA, Westfalenbank Aktiengesellschaft, Banque Nationale de Paris, Goldman Sachs International Corp., NatWest Investment Bank Limited, Selomon Brothers International Limited

Trading in the European Capital Markets

- 10-11 November 1986 The Marketplace
10-11 November 1986 Trends in Capital Market Instruments
11-12 November 1986 Marketing and Distribution
11-12 November 1986 Structure and Strategy
Four One-and-a-Half Day Conferences
Barbican Conference Centre London EC2
For conference details and reservation International Business Communication Ltd. please phone 01-236 4080

AKZO Arnhem, November 5, 1986. The Board of Management of Akzo N.V. announces that on November 4, 1986 the results for the third quarter of 1986 were published. Copies of this quarterly report may be obtained from the London Paying Agents: Berlays Bank PLC Stock Exchange Services Department 54 Lombard Street London EC3P 3AH and Midland Bank PLC International Division Securities Services Department 110-114 Cannon Street London EC4N 6AA.

SALINAS y ROCHA, S.A. (Incorporated in the United Mexican States) U.S. \$25,000,000 FLOATING RATE NOTES due 1988. NOTICE IS HEREBY GIVEN, pursuant to the Conditions of the Notes that, Noteholders holding Notes bearing the identification letter B after the serial number may elect to have their Notes Redeemed on December 31, 1986, the Special Redemption Date. To make such election the holder of such Note must surrender the Note together with all interest Coupons appertaining thereto maturing after December 31, 1986 to any Paying Agent, as shown on the Notes, not less than 30 nor more than 45 days prior to the Special Redemption Date. Any such Note, if surrendered, may not be withdrawn without the prior consent of the Company. Coupons maturing on December 31, 1986 should be detached and presented for payment in the usual manner. November 6, 1986, London By: Citibank, N.A. (CSS Dept.), Agent Bank CITIBANK

ÖSTERREICHISCHE VOLKSBANKEN-AKTIEGESELLSCHAFT US \$25,000,000 Floating Rate Subordinated Notes due 1989. Notice is hereby given pursuant to the Terms and conditions of the Notes that for the six months from 7 November 1986 to 7 May 1987 the Notes will bear an interest rate of 6 1/4% per annum with a coupon amount of US\$157.12 London & Continental Bankers Limited Agent Bank



UK COMPANY NEWS

This advertisement appears as a matter of record only. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

**Smith & Nephew Associated Companies plc**

**Kleinwort Benson Limited**  
acted as financial advisers to Smith & Nephew and in conjunction with

**Kleinwort Grieveson and Co.**

have completed a placing and open offer to shareholders of 110,580,093 ordinary shares of 10p each in Smith & Nephew to raise £127.1 million in connection with the acquisition of Richards Medical Company.

**NOTICE OF REDEMPTION**  
To the Holders of  
**ENTE NAZIONALE IDROCARBURI E.N.I.**  
(National Hydrocarbons Authority)  
**6% Sinking Fund Debentures due June 1, 1988**

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Sinking Fund for the Debentures of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected by lot for redemption on December 1, 1986 at the principal amount thereof \$750,000 principal amount of said Debentures, as follows:

Outstanding Debentures of U.S. \$1,000 Each of Prefix "M" Bearing Serial Numbers Ending in the Following Two Digits:													
03	06	07	13	72									
Also Debentures of U.S. \$1,000 Each of Prefix "M" Bearing the Following Serial Numbers:													
3	379	3679	4779	6079	6879	7979	9279	11179	14479	18579	20079	22279	27279
6	3179	3679	5079	6179	7579	8979	9379	11379	14579	18679	20679	26879	28279
7	3279	4479	5579	6579	7779	8579	9979	12979	16879	18779	21479	25979	28979
179	3479	4679	5979	6679	7679	9179	10379	13679	18479	19979	21779	26679	29679

On December 1, 1986, there will become due and payable upon each Debenture the principal amount thereof, in such coin or currency of the United States of America as on said date is legal tender for the payment therein of public and private debts, at the option of the holder, either (a) at the corporate trust office of Morgan Guaranty Trust Company of New York, 13th Floor, 30 West Broadway, New York, N.Y. 10015, or (b) subject to any laws and regulations applicable thereto with respect to the payment, currency of payment or otherwise in the country of any of the following offices, at the principal office of Banca Nazionale del Lavoro in Rome or the principal office of Banca Commerciale Italiana in Milan or the main office of Morgan Guaranty Trust Company of New York in London, Brussels, Paris or Frankfurt or the main office of Algemeene Bank Nederland N.V. in Amsterdam or the main office of Kredietbank S.A. Luxembourg-Ville. Payments at the office of any paying agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payee not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment. Debentures surrendered for redemption should have attached all unexpired coupons appurtenant thereto. Coupons due December 1, 1986 should be detached and collected in the usual manner. From and after December 1, 1986 interest shall cease to accrue on the Debentures herein designated for redemption.

ENTE NAZIONALE IDROCARBURI  
By: MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, Fiscal Agent

October 28, 1986

This advertisement is issued in compliance with the Regulations of the Council of the Stock Exchange. Application has been made to the Council of the Stock Exchange for the whole of the Ordinary share capital of Lloyds Chemists plc, issued and now being issued, to be admitted to the Official List. It is expected that the Ordinary shares will be admitted to the Official List with effect from 12th November, 1986 and that dealings will commence on the same day.

**LLOYDS CHEMISTS plc**  
(Incorporated in England under the Companies Act, Registered No. 1335852)

**PLACING**  
by  
**Pannure Gordon & Co. Limited**  
of  
4,800,000 Ordinary shares of 5p each at 105p per share payable in full on acceptance

Authorized	Share Capital	Issued and now being
41,100,000	in Ordinary shares of 5p each	4,800,000

The Ordinary shares being placed rank pari passu in all respects with the existing issued Ordinary shares and will be entitled to participate in all dividends and other distributions hereafter declared, paid or made on the Ordinary share capital of Lloyds Chemists plc.

Lloyds Chemists plc's business comprises the dispensing of prescriptions within the National Health Service, the sale of a comprehensive range of medicines and photographic services, together with the self-service retailing of toiletries, beauty products, household goods and related items at competitive prices. In addition to leading brands, the Company sells an increasing range of value for money quality own label products.

In accordance with the Rules and Regulations of the Council of the Stock Exchange, as amended with effect from 27th October, 1986, Pannure Gordon & Co. Limited has placed 3,600,000 Ordinary shares with its clients and 1,200,000 Ordinary shares with Greenwell Montagu Securities for distribution to their clients.

Particulars relating to Lloyds Chemists plc are available in the statistical service of the Statistical Services Limited. Copies of the Listing Particulars may be obtained during normal business hours (Sundays and public holidays excepted) up to and including 10th November, 1986, for collection only, from the Company Announcements Office, The Stock Exchange, Threadneedle Street, London EC2P 2AH and up to and including 21st November, 1986 from:

Lloyds Chemists plc Manor House, Manor Road, Manchester, Atherstone, Warwickshire, CV9 1JY.	Pannure Gordon & Co. Limited, 9 Moorfields Highway, London, EC2Y 9DS.
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6th November, 1986

**Brake Brothers offer 25 times oversubscribed**

**BY PHILIP COGGAN**  
The offer for sale of Brake Brothers, Bristol's largest independent supplier of frozen foods to the catering industry, has proved very popular. Yesterday, the sponsors Barclays de Zoete Wedd revealed that the 11m shares were oversubscribed 25 times.

The company was built up by an eponymous trio—William Frank and Peter—who will each retain a 25 per cent stake in the company. The remainder, some 25 per cent of the enlarged equity, was offered to investors at 125p, giving the group a market capitalisation of £55m.

Brake Brothers supplies frozen foods from a network of 16 cold storage depots in the UK to hotels, restaurants, public houses, hospitals, factories and schools. Pre-tax profits for the year to end December are expected to increase sharply to £5.5m from last year's £3.1m

as recently opened depots move into profit.

Of the £4.3m accruing to the company from this issue, most will be spent on opening new depots in Devon, Sussex and Scotland. The group will also be extending its head office at Ashford, opening a new vegetable packing operation at Ashford and improving its Lenham-based prepared food operations.

The enthusiastic response to this issue, which was priced on a prospective p/e of 13.4, may encourage companies coming to the market in the period between the TSB and British Gas flotations. The brothers themselves also have cause to be pleased since 7m of the shares on offer are being sold by them and their wives, giving each couple just under £3m.

Brokers to the issue are Phillips Drew and dealings will start on November 12.

**Quarto avoids new rules with £1.99m placing**

**BY CLARE PEARSON**  
Quarto Group, the book packager and photographic processor, yesterday joined the USM market through a £1.99m placing by brokers Capel-Cure Myers. The issue size was limited to avoid new Stock Exchange rules on placings which come into effect on October 27.

Placings are the most popular issuing route for small companies, but stockbrokers fear that the new rules, which apply to issues of over £2m, will make them more cumbersome and expensive.

Mr Laurence Osbach, Quarto's chief executive and chairman, said yesterday he had envisaged raising some £2.25m but was advised to pitch Quarto's offering, which raises £1,999,999.5, below the £2m mark.

The rules demand that in issues over £2m, 25 per cent must be made available to the public either through newspaper advertisements or through a co-

sponsor, expected to be another stockbroker.

Either way this is a more cumbersome requirement than the previous practice of offering 25 per cent to the market through stock jobbers.

Quarto's issue amounts to 24.16 per cent of the enlarged equity. It raises £1.25m of new money, and the balance of the proceeds are being retained by existing shareholders.

Quarto was incorporated in the US in 1976 but operates from North London. In the last financial year, pre-tax profits amounted to £228,000 on turnover of £7m. The company is forecasting not less than £275,000 pre-tax for the current year. The shares stand on a prospective price/earnings multiple of 12.7.

Quarto's expansion plans are concentrated on areas related to its established production facilities and Quarto says it has no plans to diversify into book distribution.

**Sempernova rights raising £0.54m**

Sempernova, a specialist in fruit and vegetable preservation coatings, is to raise £540,604 before expenses by way of a rights issue.

The company is offering 386,146 new ordinary 25p shares at £1.40 each on a one-for-eight basis. The issue has been underwritten by Chartwell Securities.

Sempernova said additional funds were required to provide working capital to fund growth and development of the markets for its product Semperfresh.

**London & Met**

London & Metropolitan, the property development group, yesterday announced details of its much-freshened stock market flotation.

Exactly 23.6m shares are being offered for sale at 145p each, giving the company a market capitalisation of £3.5m. The joint owners of the company, Balfour Beatty and the London & Edinburgh Trust, are reducing their stakes from 50 per cent to 20.5 per cent each.

**Blue Arrow grows in US**

Blue Arrow, the UK employment agency and contract cleaning group, said it was close to clinching its third US takeover in three months with the purchase of a New York-based temporary employment agency.

The deal, which was first indicated last month, is expected to be worth about \$15m (£11m). It would add a further

100 offices to Blue Arrow's US operations and take it further towards its goal of 250 offices within 18 months.

Blue Arrow paid \$6m for Positions, a Boston agency, in September and followed this with the purchase of Temporaries, a Washington temporary help business, for np to \$32m last month.

**W. A. Tyzack lifts profits 42%**

Second half pre-tax profits moved ahead by 51 per cent at W. A. Tyzack, to leave results for the year ending July 31 1986 up by 42 per cent to £401,000 against a previous year of £282,000.

Turnover for this Sheffield-based precision engineering components maker rose from £8.75m to £9.14m—a 36 per cent improvement.

Earnings showed a 72 per cent rise to 5.62p (3.36p) per

10p share, and the final dividend is stepped up to 1.4p (1.1p) for a 2p (1.7p) total.

After tax of £115,000 (£120,000) and an extraordinary credit last time of £18,000, attributable profits were £78,000 ahead at £288,000.

Tyzack announced 11 days ago that the merger talks between it and fellow Sheffield engineer, Tyzack Turner, had been discontinued.

**COMPANY NEWS IN BRIEF**

**CRAMPFORD** (garden centres): Final dividend increased from 3.5p to 4.5p net, making total 6.17p (5.17p). Turnover £16.07m (£14.54m) and pre-tax profit £550,078 (£431,901). Tax £222,888 (£196,004). Earnings per 50p share 22.65p (18.38p). Directors said sales for current year to date were some 7 per cent ahead.

**SCANRO HOLDINGS**: The Earl of Bradford has increased his stake in the USM quoted maker of wind-turfing equipment had leisure clothing from 7.3 per cent to 8.8 per cent.

**EBC Group**, Exeter-based construction company, said that a receiver had been appointed for Bailey Roofing, a fully owned subsidiary acquired in 1985. EBC said that a number of contingent liabilities and claims arising from contracts entered

into or carried out before the acquisition had come to light.

**HUNTING PETROLEUM SERVICES** has exchanged contracts with Associated British Industries for the acquisition of the retail division of Hermetite Products for £2.85m via the issue of 2.4m shares. HPS will also acquire L'Hermite SA, a French subsidiary of Hermetite, for £50,000 plus an additional amount for stock. The acquisitions are conditional upon ABI shareholders' approval and a non-referral to the Monopolies Commission.

**YEABLING** bonds totalling £1.75m at 11 per cent, redeemable on November 11, 1987, have been issued by the following local authorities: Bassetlaw District Council £0.5m, Dundee (City of) £1m, West Lancashire DC £0.25m.

**Lloyds Chemists placing raises £5m**

**By Clare Pearson**  
Lloyds Chemists, a Midlands-based chain of retail chemists, yesterday became the first company to take advantage of new Stock Exchange rules which have lifted the issue size ceiling on placings.

Lloyds raised £5m with an issue of 4.8m shares, 26.7 per cent of the enlarged share capital. This was £2m more than would have been possible under the old rules.

Around £2m of the proceeds will go to Mr Allen Lloyd, who founded the company in 1973, and his brother Peter, the development director, and the rest will be used to finance the company's growth.

Lloyds Chemists has 105 stores spread over the Midlands, split as to 100 chemist stores and five drugstores trading under the name Drugstop. The drugstores are designed to reduce the company's dependence on National Health Service business.

Lloyds is planning to increase its range of own-label products and open seven more chemist stores, and five more drugstores, by the end of the current financial year.

Lloyds is not making a profits forecast for the current year, but on a historic basis the price earnings multiple of the issue, at the placing price of 105p, is 24.8 times and earnings per share 4.23p.

Since 1982 pre-tax profits have risen from £315,000 to £1.1m. To comply with the new placings rules, Greenwell Montagu Securities is distributing 25 per cent of the issue. Under the new rules,

**Shiloh shares jump as profits rise 93%**

Shiloh, the textile spinning, disposables and protective clothing group, yesterday announced a 93 per cent jump in interim profits. The results pleased the City and the shares were marked up 32p to 156p, after showing a 34p gain at one stage.

The company said that the increase in pre-tax profits from £256,017 to £494,419 reflected the continuing benefits of recent investment. Liquidity had improved and a reduction in interest charges had contributed to the better results.

Trading conditions remained stable and Shiloh said it was confident of further progress during the second half and an increase in full year profits over last year's £822,000 pre-tax.

Shiloh also announced yesterday that it had reached agreement to purchase a small group of companies in a similar field of activities to its subsidiary manufacturing medical disposables and hygienic clothing.

The company said this acquisition would strengthen its position in this market and create further opportunities for expansion.

Turnover for the half year to October 4 1986 was lower at £8.73m, against £7.07m. With stated earnings per 25p share up from 6.97p to 11.49p, the net interim dividend is 50 per cent higher at 1.8p (1p)—last year's final was 1.75p.

First-half tax charge was £173,221 (£80,895).

**Berry Trust net assets improve by 53% to 296p**

Berry Trust, the London-based investment trust which Ensign Trust failed to win over in September via an 296m takeover bid, increased its net asset value from 193.5p to 296.2p per 25p share in the year to end August 1986, in improvement of 53 per cent.

The figure was struck assuming full conversion of the loan stock.

Investment income for the year fell from £2.89m to £2.16m but underwriting commission improved from £149,517 to £288,515 and deposit interest from £12,580 to £90,006. Management fees increased by £108,188 to £587,541.

Net revenue worked through at £281,741 (£402,093) after taking account of a £56,415 higher tax charge of £335,151. Earnings amounted to 2.15p (1.27p) and the dividend for

the year is being lifted from 1.05p to 1.1p net per share.

Berry is managed by GT Management, which came to the main market in July and which constituted around 22 per cent of Berry's assets. More than half of this holding was included in GT's offer for sale and realised some £15m for Berry.

In the main this was used to eliminate the gearing Berry had been carrying.

Ensign Trust, itself controlled by the Merchant Navy Officers' Pension Fund, launched its bid for Berry in July. At that time it already held 2.2m Berry shares (9.15 per cent).

The bid lapsed seven weeks later having won the support of only 29.55 per cent of Berry's shareholders.

This announcement appears as a matter of record only.



**Ireland**

**Dfls 100,000,000**  
**Fixed Rate Term Loan**

arranged by

**BANK MEES & HOPE NV**

October 15, 1986

**NOTICE OF INTENTION TO REDEEM**

To the Holders of

**BENEFICIAL OVERSEAS FINANCE N.V.**

**14% Sterling/U.S. Dollar Option Notes Due December 10, 1990**

NOTICE IS HEREBY GIVEN to the holders of the outstanding £20,000,000 principal amount of the 14% Sterling/U.S. Dollar Option Notes Due December 10, 1990 of Beneficial Overseas Finance N.V. that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of December 10, 1980 and the Notes, Beneficial Overseas Finance N.V. intends to redeem on December 10, 1986 all of its outstanding Notes, at a redemption price equal to 101% of the principal amount thereof plus accrued interest to the redemption date.

Payments will be made on and after December 10, 1986 against presentation and surrender of the United Kingdom of Great Britain and Northern Ireland (pounds) or, if the holder so elects by irrevocable written notice to any paying agent not later than seven business days prior to such redemption date, in U.S. dollars, subject to applicable laws and regulations, either (e) at the corporate trust office of Morgan Guaranty Trust Company of New York, as Fiscal and Paying Agent, in the Borough of Manhattan, The City of New York, or (f) at the main office of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt (Main), London or Paris, at the main offices of Swiss Bank Corporation in Basle or Credit Suisse in Zurich. All payments in pounds shall be made by cheque drawn on, or transfer to an account maintained by the payee with a bank in London and payments in dollars shall be made by check drawn on, or transfer to an account maintained by the payee with, a bank in New York City, subject in each case to any laws or regulations applicable thereto.

Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payee not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-9, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50. Please therefore provide the appropriate certification when presenting your securities for payment.

Notes surrendered for payment should have all unexpired coupons attached thereto. The coupon due December 10, 1986 is to be detached and collected in the usual manner.

From and after December 10, 1986 the Notes will no longer be outstanding and interest thereon shall cease to accrue.

**BENEFICIAL OVERSEAS FINANCE N.V.**

By: MORGAN GUARANTY TRUST COMPANY  
OF NEW YORK, Fiscal and Paying Agency

Dated: November 6, 1986

Handwritten signature and date: J.P. 11/15/86



LONDON RECENT ISSUES

EQUITIES

Table of equity market data including stock names, prices, and changes.

FIXED INTEREST STOCKS

Table of fixed interest stocks including bond names, yields, and prices.

"RIGHTS" OFFERS

Table of rights and offers for various companies.

Disclaimer and explanatory text regarding the data provided in the tables.

AUTHORISED UNIT TRUSTS

Large table listing authorized unit trusts with columns for name, manager, and other details.

FT UNIT TRUST INFORMATION SERVICE

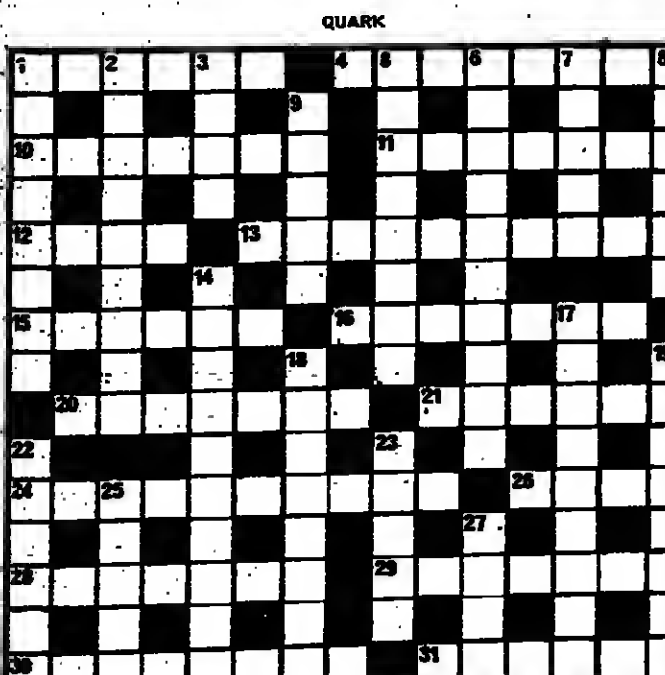
Large table listing unit trust information services with columns for name, manager, and other details.

Vertical text on the left margin: 's jump e 93%' and 'assets to 296p'.

JOTTER PAD

Puzzled about Unit Trusts? Chase de Vere's Unit Trust Outlook is packed with information and advice from 15 leading Unit Trust Groups. To obtain your free copy ring 01-404 5766.

FT CROSSWORD PUZZLE No. 6,170



ACROSS and DOWN clues for the crossword puzzle, including '1 Game for a drink?' and '1 Paper's large sum of interest to scientists?'.

Solution to Puzzle No. 6,169, showing the filled-in crossword grid.



AUTHORISED UNIT TRUST & INSURANCES

Whitbread Unit Trust Managers
100 Broad Street, London EC2M 1JG
01-406 9095

INSURANCES

AA Friendly Society
Investment Dept of A & B Insur Ltd
100 Broad Street, London EC2M 1JG
01-406 9095

City of Westminster Assurance
100 Broad Street, London EC2M 1JG
01-406 9095

Equity & Law - Contd.
100 Broad Street, London EC2M 1JG
01-406 9095

M & G Group - Contd.
100 Broad Street, London EC2M 1JG
01-406 9095

Narwich Union Asset Management Ltd
100 Broad Street, London EC2M 1JG
01-406 9095

Prudential Assurance Co Ltd
100 Broad Street, London EC2M 1JG
01-406 9095

Scottish Amicable Investment Co Ltd
100 Broad Street, London EC2M 1JG
01-406 9095

Scottish Life Assurance Co Ltd
100 Broad Street, London EC2M 1JG
01-406 9095

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INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial services, including company names, addresses, and contact information.

Table listing Overseas Funds, including fund names, managers, and performance metrics.

Table listing Money Funds, including fund names, managers, and performance metrics.

Table listing Money Market Bank Accounts, including bank names, account types, and interest rates.

Table listing various financial services and companies, including insurance providers and investment firms.

Table listing Overseas Funds, including fund names, managers, and performance metrics.

Table listing Money Funds, including fund names, managers, and performance metrics.

Table listing Money Market Bank Accounts, including bank names, account types, and interest rates.

TRADITIONAL OPTIONS

Table listing traditional options, including 3-month call rates and other financial instruments.

A selection of options traded in the London Stock Exchange Report Page.



COMMODITIES AND AGRICULTURE

Tin Council to challenge high court jurisdiction

BY STEFAN WAGSTYL AND ANDREW GOWERS
THE INTERNATIONAL TIN COUNCIL is likely to oppose an attempt by a group of its creditors to have it wound up, by claiming that it is beyond the jurisdiction of British courts.

EEC to stiffen fishery control

BY TIM DICKSON IN BRUSSELS
MAJOR NEW powers to curb overfishing in Community waters looked almost certain to be agreed in Brussels last night by EEC Fisheries Ministers.

US tungsten industry seeks import relief

BY WILLIAM DULLFORCE IN GENEVA
THE US refractory metals industry, which makes metals for use in furnaces and in manufacturing, has filed a petition under US trade law for import relief because of alleged disruption of the world tungsten market by China.

Japan expected to cut coal imports

By Carl Rappoport in Tokyo
JAPAN'S COAL imports are likely to decline this year because of the slumping domestic demand for electricity. The decline is a direct result of the business slow-down in Japan caused by the appreciation of the yen.

LONDON MARKETS

THE LONDON coffee futures market went into reverse yesterday as a number of bearish factors combined to wipe out most of the recent gains. The January position, which had risen by \$126.50 over four trading days, ended \$101.50 down at \$2,247.50 a tonne.

INDICES

Table with columns for REUTERS, DOW JONES, and MAIN PRICE CHANGES. Includes data for various commodities and metals.

US MARKETS

COFFEE FUTURES SAW a modest, but technically significant rise, with December values closing \$21 per tonne higher on the day to last.

COFFEE

Table showing coffee futures prices for various grades and origins, including Arabica and Robusta.

CHICAGO

Table showing Chicago market prices for live cattle, hogs, and other livestock.

NEW YORK

Table showing New York market prices for aluminum, copper, and other metals.

COFFEE

Table showing coffee prices in New York, including futures and spot prices.

COCOA

Table showing cocoa prices, including futures and spot prices for various grades.

NICKEL

Table showing nickel prices, including futures and spot prices.

TIN

Table showing tin prices, including futures and spot prices.

ZINC

Table showing zinc prices, including futures and spot prices.

GOLD

Table showing gold prices, including futures and spot prices.

POTATOES

Table showing potato prices, including futures and spot prices.

GRAINS

Table showing grain prices, including futures and spot prices for wheat and corn.

RUBBER

Table showing rubber prices, including futures and spot prices.

SUGAR

Table showing sugar prices, including futures and spot prices.

HEAVY FUEL OIL

Table showing heavy fuel oil prices, including futures and spot prices.

LEADED GASOLINE

Table showing leaded gasoline prices, including futures and spot prices.

WEEKLY METALS

Table showing weekly metal prices for various commodities like tin, copper, and zinc.

ALUMINIUM

Table showing aluminum prices, including futures and spot prices.

COPPER

Table showing copper prices, including futures and spot prices.

LEAD

Table showing lead prices, including futures and spot prices.

IRON

Table showing iron prices, including futures and spot prices.

STEEL

Table showing steel prices, including futures and spot prices.

EGYPT PREPARED TO CURB OIL OUTPUT

EGYPT HAS told Opec that it will be prepared to cut oil production gradually in line with expected price rises on the world market.

INDUSTRY'S 13-STRONG TEAM

INDUSTRY'S 13-strong team of inspectors who claim that they have hitherto been handicapped because they can only carry out their duties when and where member states' own national inspectors permit.

ADDING WEIGHT TO MR BERNES' COMPLAINT

Adding weight to Mr Bernes' complaint about China's marketing practices, Unctad records a substantial increase in its shipments of intermediate products from 50,000 tonnes in 1984 to 2,000-2,500 tonnes in 1985.

IF CURRENT UNSTABLE CONDITIONS CONTINUE

IF current unstable conditions continue, they could in the longer term damage the whole tungsten industry, the Unctad secretariat states in its report to the committee.

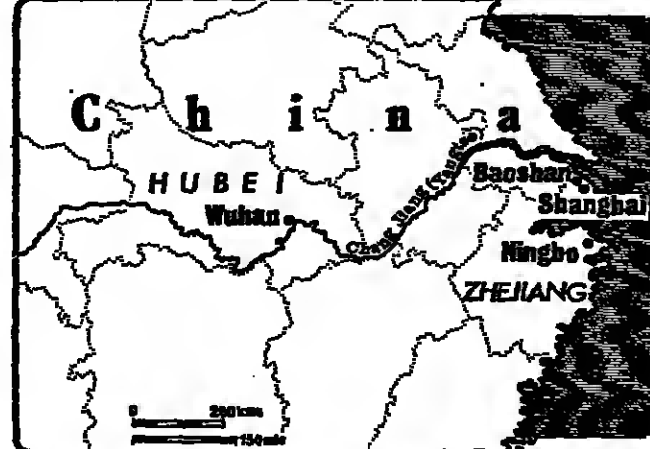
FINANCIAL TIMES

Table showing financial times data, including exchange rates and market indices.

How the hairy crab is helping China to modernise

BY DAVID DODWELL, RECENTLY IN HUBEI PROVINCE

FOR GOURMETS in Hong Kong who appreciate the finest crab — and there are many — the hairy crab is currently under way, is the high point of the year.



average for rural households in China. More than 1,500 fishing households had earnings above \$1,500 — not as large a number as boasted by Guangdong, but substantial nevertheless.

What may be less well-known to these crab fanciers — whether they feast in the many local restaurants in Hong Kong, or buy the famous freshwater crabs by the dozen in local street markets — is that Shanghai hairy crabs do not come from Shanghai but are air-freighted fresh from the ponds and lakes of Hubei, a province straddling the Yangtze River deep in China's interior, about 1,600 kms inland from Shanghai.

ever, just how deep the roots of Hong Kong's food supply lines penetrate into China — how important to China's inland provinces are the foreign exchange earnings generated by food exports. Prominent alongside Hubei are provinces like Jiangsu, Anhui and Hunan, all in the fertile Yangtze region, and all benefiting from direct rail links with Hong Kong.

As a time when foreign exchange earnings are critically important in enabling provincial governments to import new technology and to Hong Kong, which have a disproportionately strong influence on the price at which a province is able to modernise its industries and raise living standards.

It is rarely realised, however, just how deep the roots of Hong Kong's food supply lines penetrate into China — how important to China's inland provinces are the foreign exchange earnings generated by food exports.

Hubei's 200,000 fishing families, for example, earned an average of \$177 a head last year — well above the

The Shanghai hairy crab may seem inconsequential to a Hong Kong fish market stall, but it is playing a significant part in the modernisation of at least one large inland Chinese province.



FOREIGN EXCHANGES

Dollar helps to steady sterling

VICTORY FOR the Democrats in the mid-term US elections to the Senate, giving them full control of Congress, came as little surprise to the market and after a sell-off in the Far East and early European trading, the dollar recovered well to close firmer on the day. Although the result poses obvious problems for the Republican Reagan Administration no major change is expected in US economic policy, and the dollar rebounded sharply after finding resistance around DM 2.04. Recent economic data have been encouraging for the dollar, and the market also expects the US currency to be underpinned by this week's US quarterly refunding auctions, providing Japanese demand for paper is strong.

The dollar touched DM 2.0385 in early trading, but rose to DM 2.0400 from DM 2.0375. It also improved to FF 6.3325 from FF 6.3150, to SF 1.7220 from SF 1.7150, and to Y164.45 from Y163.90. On Bank of England figures the dollar's index rose to 112.7 from 112.5.

STERLING - Trading range against the dollar in 1986 is 1.5855 to 1.7070. October average 1.6276. Exchange rate index rose 0.5 to 68.1, compared with 78.9 six months ago.

Sterling advanced, gaining ground against major currencies in general including the dollar. Oil prices were firm, underpinned by rumours that Saudi Arabia may cut production to help oil prices towards the target level of \$18 a barrel. The pound was also supported by an opinion poll showing the Conservatives in a slight lead over the Labour Party, and by the recovery of the dollar.

although sterling maintained a firm undertone in early trading, when the US currency was weak. Interest rate differentials also assisted the pound, following last week's cut in the Japanese discount rate.

Starting gained 35 points to 1,920.1-1,921.1, and advanced to DM 2.0375 from DM 2.0325, to FF 6.3325 from FF 6.3150, to SF 1.7220 from SF 1.7150, and to Y164.45 from Y163.90.

The D-Mark rose to DM 2.0400 from DM 2.0375 in early trading, encouraging dealers to take out short positions. But when the currency rebounded strongly, there was a move to cover these positions, sending the dollar up in spite of intervention by the West German Bundesbank on the open market, and the central bank did not intervene when the dollar was

fixed unchanged at DM 2.0380 in Frankfurt. Today's meeting of the Bundesbank Council is not expected to result in any reduction in West German interest rates. The dollar rose to DM 2.0445 at the Frankfurt close from DM 2.0355.

JAPANESE YEN - Trading range against the dollar in 1986 is 162.70 to 183.25. October average 158.56. Exchange rate index rose 26.9 against the dollar in 1986 to 2,471.0 in 1984. October average 2,042.3. Six months ago.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Country, Currency, Unit, % change against ECU, % change against previous, Divergence from %.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Nov. 5, Day's spread, Close, One month, % p.a., Three months, % p.a., Six months, % p.a.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Nov. 5, Day's spread, Close, One month, % p.a., Three months, % p.a., Six months, % p.a.

EURO-CURRENCY INTEREST RATES

Table with columns: Euro, Short term, 7 Day's notice, One Month, Three Months, Six Months, One Year.

EXCHANGE CROSS RATES

Table with columns: Nov. 5, £, \$, DM, YEN, F Fr., S Fr., H Fl., Lira, C \$, S P.

FINANCIAL FUTURES

Auction creates uncertainty

THERE WERE very few early pointers as to how investors would respond to yesterday's 30-year auction of US Treasury notes. Some suggested dealer interest around the 7.25 per cent mark although there was speculation that Japanese buyers might go to 7.22 per cent.

Overall the market seemed reasonably confident of at least a reasonable response. All the notes 100 bid to profit trading in London although proximity of the auction tended to override all other factors.

A rally in Chicago bond prices on Tuesday was partly negated by the Democrats' win in the US Senate although the effects of the result were generally small. Much of the turnaround was due to nervousness ahead of the auction and with the dollar easing sharply and then recovering, so the outlook became a little confused. The December price

opened at 98-01 up from 97-31 and touched 98-05 before coming back to 98-00. However good buying then developed up to 98-18 and a high of 98-21 was touched after the start of trading in Chicago. Most trading was confined to a range of 98-15 to 98-18 thereafter before closing at 98-14.

Chicago prices showed little overall change with traders generally wary and uncertain about future trends. Despite sterling's better performance, there was no convincing turnaround in sentiment and speculators were wary since several factors could quickly undermine the pound's recent stability.

The December long gilt price opened at 111-14 up from 111-07 on Tuesday and early attempts at a rally pushed values to a high of 111-19 during the morning. Most business was seen in a tight range

of 111-12-19 thereafter before slipping in the afternoon as US bond prices lost direction. It touched a low of 111-07 before closing at 111-04.

Three-month sterling deposits acted in much the same way, opening at 88.96 compared with 88.90 on Tuesday but unable to hold this level. Consequently the opening price proved to be the day's high and with little incentive to buy, values slipped away in a rather confused atmosphere to a low of 88.90 before closing at 88.94.

Euro-dollars showed very little change, opening at 94.06 for December delivery and trading very close to this level for much of the morning. However strong interest after the opening of Chicago lifted values to a high of 94.11 before easing back to finish at 94.08 compared with 94.00

LIFFE LONG RUN FUTURES OPTIONS

Table with columns: Strike, Call, Put, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LIFFE US TREASURY BOND FUTURES OPTIONS

Table with columns: Strike, Call, Put, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LIFFE FX 100 INDEX FUTURES OPTIONS

Table with columns: Strike, Call, Put, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LIFFE 2 1/2% OPTIONS

Table with columns: Strike, Call, Put, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LIFFE 10% OPTIONS

Table with columns: Strike, Call, Put, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

LIFFE 10% INDEX OPTIONS

Table with columns: Strike, Call, Put, Nov, Dec, Jan, Feb, Mar, Apr, May, Jun, Jul, Aug, Sep, Oct, Nov, Dec.

£ IN NEW YORK

Table with columns: Nov 5, Latest, Previous, 1 month, 3 months, 6 months, 12 months.

STERLING INDEX

Table with columns: Nov. 5, Previous, 8.30 am, 9.00 am, 10.00 am, 11.00 am, 12.00 pm, 1.00 pm, 2.00 pm, 3.00 pm.

CURRENCY RATES

Table with columns: Nov. 5, Rate, Bid, Ask, Special Drawing Right, Currency, Forward.

CURRENCY MOVEMENTS

Table with columns: November 5, Bank of England, Morgan Guaranty, Changes %.

OTHER CURRENCIES

Table with columns: Nov. 5, £, \$, DM, YEN, F Fr., S Fr., H Fl., Lira, C \$, S P.

MONEY RATES

Table with columns: New York, One month, Treasury bills and Bonds, Two month, Three month, Six month, One year.

FT LONDON INTERBANK FIXING

Table with columns: 6 months U.S. dollars, 6 months U.S. dollars, Offer 6, Offer 6.

LONDON MONEY RATES

Table with columns: Nov. 5, Overnight, One Month, Two Months, Three Months, Six Months, One Year.

FT LONDON INTERBANK FIXING

Table with columns: 6 months U.S. dollars, 6 months U.S. dollars, Offer 6, Offer 6.

MONEY MARKETS

Little overall change despite firm pound

INTEREST RATES were hardly changed in the London money market yesterday. Sterling finished the day on a firm note but there was a general lack of confidence, highlighted by the flat interest rate structure from one month to one year. Dealers stressed a number of factors currently governing market senti-

ment which could easily change, such as the performance of sterling, oil prices and to some extent the implications of Mr Nigel Lawson's autumn statement.

Three-month interbank money was unchanged at 11.1-10.5 per cent while overnight money touched a high of 11.14 per cent from an opening level of 11.14-11 per cent before finishing very low at 11 per cent and finishing very late at 11 per cent.

The Bank of England found a shortage of around £200m in the market affecting the market including maturing agreements and a take up of Treasury bills together draining £227m and a rise in the note circulation of further £100m. In addition the banks brought forward balances £50m below target. These were offset by Exchange transactions which added £110m. The forecast was revised to a shortage of around

£200m and the Bank gave assistance in the morning of £200m through outright purchases of £120m of eligible bank bills in hand 2 at 10 1/2 per cent.

Further help was given in the afternoon of £80m through outright purchases of £17m of eligible bank bills in hand 2 at 10 1/2 per cent and £72m in hand 2 at 10 1/2 per cent. Late help came to £25m, making a total of £300m.

In Frankfurt dealers were convinced that the Bundesbank would leave interest rates unchanged at today's meeting of the central council. Various domestic factors gave weight to this view with economic growth expected to rise by 3 per cent this year and next year, relieving the need to stimulate. At the same time West German money supply has grown to 74 per cent, far beyond the 5 1/2-6 per cent range set by the authorities. From an external view, the relatively small amount of trade with the US would make the intercut in the discount rate ineffective as far as reducing the current US trade deficit.

In Paris the Bank of France announced its intention to offer £50m of Treasury bills at the FT tender on November 10. This week's tender saw the Bank selling nearly FF 6bn of paper.

ANZ GLOBAL TREASURY SERVICES USING ANZ, AN OUTCRY ON LIFFE CAN BE HEARD ON THE SYDNEY FUTURES EXCHANGE.

ANZ are traders and clearers on LIFFE, and have been from its inception. We're just as strong on the Sydney Futures Exchange, where our wholly-owned subsidiary, McCaughan Dyson Futures Ltd, are trading and clearing.

Through our Australian subsidiary, you can benefit from this unique trading opportunity. Namely, now that Eurodollar contracts and Treasury Bond contracts are fungible on both the exchanges the trading day has been extended, so you can trade in Sydney while London sleeps, relying upon ANZ Group in Australia to act on your behalf.

Trades in Sydney will be cleared through ICCH London. And as both trading and clearing are handled by ANZ, you can be sure that you will receive service that is second to none. To find out more, contact Gwyn Price at ANZ Bank on 01-280 3177, today.

ANZ BANK AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED. 55 Gracechurch Street, London EC3V 0RN.

Legal Notice and Company Notice sections. Includes 'IN THE MATTER OF THE COMPANIES ACT 1985' and 'CORRECTED NOTICE CHEMICAL NEW YORK CORP.'.

World Pulp & Paper Conference. A FINANCIAL TIMES CONFERENCE. 11 & 12 December 1986, London. The internationalisation of the pulp and paper industry and with increasing competitive markets, the impact of rationalisation will be the central theme of the Financial Times World Pulp and Paper conference.



BRITISH FUNDS

Table of British Funds with columns for Name, Price, and % Change. Includes sub-sections like 'Shares (Lives up to Five Years)' and 'Five to Fifteen Years'.

Over Fifteen Years

Table of funds with over 15 years of history, including names like 'Investment Growth' and 'Capital Growth'.

Index-Linked

Table of index-linked funds, such as 'Index-Linked Growth'.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Table of international bank and overseas government sterling issues.

CORPORATION LOANS

Table of corporation loans.

COMMONWEALTH & AFRICAN LOANS

Table of commonwealth and African loans.

LOANS

Table of various loans.

Public Board and Ind.

Table of public board and industrial shares.

FINANCIAL

Table of financial instruments.

FOREIGN BONDS & RAILS

Table of foreign bonds and rail shares.

AMERICANS

Table of American stocks.

AMERICANS—Cont.

Continuation of American stocks table.

CANADIANS

Table of Canadian stocks.

BANKS, HP & LEASING

Table of banks, hire purchase, and leasing companies.

HIRE PURCHASE, LEASING, etc.

Table of hire purchase and leasing companies.

BEERS, WINES & SPIRITS

Table of beer, wine, and spirit companies.

BUILDING, TIMBER, ROADS

Table of building, timber, and road companies.

DRAPERY AND STORES

Table of drapery and store companies.

ELECTRICALS

Table of electrical companies.

ENGINEERING

Table of engineering companies.

INDUSTRIALS (Misc.)

Table of miscellaneous industrial companies.

FOOD, GROCERIES, ETC.

Table of food, grocery, and other companies.

HOTELS AND CATERERS

Table of hotel and catering companies.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont.

Continuation of building, timber, and road companies.

DRAPERY & STORES—Cont.

Continuation of drapery and store companies.

ELECTRICALS

Table of electrical companies.

ENGINEERING

Table of engineering companies.

INDUSTRIALS (Cont.)

Continuation of industrial companies.

FOOD, GROCERIES, ETC.

Table of food, grocery, and other companies.

HOTELS AND CATERERS

Table of hotel and catering companies.

AMERICANS

Table of American stocks.

FINANCIAL

Table of financial instruments.

INDUSTRIALS—Continued

Continuation of industrial companies.

ENGINEERING—Continued

Continuation of engineering companies.

INDUSTRIALS (Cont.)

Continuation of industrial companies.

FOOD, GROCERIES, ETC.

Table of food, grocery, and other companies.

HOTELS AND CATERERS

Table of hotel and catering companies.

AMERICANS

Table of American stocks.

FINANCIAL

Table of financial instruments.

FOREIGN BONDS & RAILS

Table of foreign bonds and rail shares.

LOANS

Table of various loans.

COMMONWEALTH & AFRICAN LOANS

Table of commonwealth and African loans.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Table of international bank and overseas government sterling issues.



INDUSTRIALS - Continued

Table of industrial stocks including companies like British Petroleum, Shell, and various mining and utility firms.

LEISURE - Continued

Table of leisure and entertainment stocks including British Sky Broadcasting, British Telecommunications, and various media companies.

PROPERTY - Continued

Table of property and real estate related stocks including various UK and international real estate companies.

INVESTMENT TRUSTS - Cont.

Table of investment trusts offering various asset classes such as equity, income, and international funds.

FINANCE, LAND - Cont.

Table of financial and land-related stocks including banks, insurance companies, and landowners.

MINES - Continued

Table of mining stocks from various countries including Australia, Canada, and the UK.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Aerospace and various automotive parts suppliers.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing stocks including major UK and international publishers.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including companies like Newsprint and various advertising agencies.

SHIPPING

Table of shipping stocks including major shipping lines and related companies.

SHOES AND LEATHER

Table of shoes and leather goods stocks including various footwear manufacturers.

SOUTH AFRICANS

Table of South African stocks including various local and international companies.

TEXTILES

Table of textile stocks including various clothing and fabric manufacturers.

TOBACCO

Table of tobacco stocks including major tobacco companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land-related stocks including various investment and real estate trusts.

INSURANCES

Table of insurance stocks including various life and general insurance companies.

LEISURE

Table of leisure and entertainment stocks including various media and entertainment companies.

OVERSEAS TRADERS

Table of overseas trading stocks including various international trading companies.

PLANTATIONS

Table of plantation stocks including various agricultural and land management companies.

MINES

Table of mining stocks including various international mining companies.

NOTES

Notes section containing various financial news items, company announcements, and market commentary.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including various local and international companies.



LONDON STOCK EXCHANGE

Oil stocks in demand but Government securities turn uneasy ahead of economic statement

Account Dealing Dates
Option
Dealings
Last Account

In the UK securities markets, attention switched yesterday from the US mid-term elections to the prospects for the UK Government's autumn economic statement, which is expected this afternoon (Thursday).

The FT 100 rose 1.6 to 1644.4, the FT-SE 100 index was 67 higher, while the FT Ordinary index gained 1.5 to 1282.9.

Government bonds, helped by sterling and by the satisfactory outcome of the first leg of the US Treasury's funding programme, moved upwards and share prices soon followed.

But for the reports about public spending, "we would have been fine," was the view from the market place. As the session progressed, the City recovered its nerve ahead of today's economic statement from the Chancellor and although early gains were lost, the mood was calm at the end of the day.

However, major investors were inclined to look until the implications of US mid-term elections become more clear, and also until after the US Treasury funding programme is completed at the end of the week.

In the equity market, oil shares were strong throughout. Shell stood out in hefty trading of 50m shares as the market braced itself for the third quarter trading results, due today (Thursday). Also helpful to Shell were brokerage recommendations, which claimed that the mammoth British Gas flotation, which will attract a heavy response from private investors, could leave the institutions under-weighted in the oil sector.

Midland wanted
Midland was outstanding among the firm clearers, rising 16 to 560p following a good demand—well over 1m shares changed hands—in a market, none too well-served with stock ahead of forthcoming company presentations to brokers.

525p. Elsewhere, Goodie Durrant and Murray, in which Impala Pacific holds a near-21 per cent stake, advanced 12 to 165p on takeover hopes, late yesterday it was announced that discussions were taking place with Impala Pacific, while Brown Shipley gained 13 ahead at 580p for the same reason.

Lloyds Broker C. E. Head, currently in receipt of a hostile bid from PWS International, fell 13 to 500p following the announcement of finalised terms for its merger with Fidelity Insurance.

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FINANCIAL TIMES STOCK INDICES
Table with columns for Gov. Secs, Fixed Interest, Ordinary V, Gold Mines, Ord. Div. Yield, Earnings Yld. 94/100, FIVE Year Govt, SEAGY Barains (50m), Equity Turnover, Equity Value, Shares Traded (m), and various indices like FT 100, FT-SE 100, FT Ordinary, etc.

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Top-quality Golds showed Rand-...
South African Financials also responded to widespread demand in the wake of former Golds with Gold Fields of South Africa 78 to the good at 830p, and JCI 34 points dearer at 573 Anglo American Corporation rose 3/4 to 210 1/4.

Speculative demand produced good features in Textiles. Victoria Carpets surged 1 1/2 higher to 121p, while Stoddard "A" spurred 4 to a peak for the year of 32p, with the advance giving rise to bid speculation.

Berry Trade made no response to news of sharply increased profits and closed unaltered at 244p. Among financials, AC Holdings, at 320p, were similarly unaltered by the news that directors were unaware of any circumstances, other than preliminary discussions for the acquisition of a small independent firm of stockbrokers, which would account for recent strength in the share price.

Sentiment in the oil sector changed abruptly and the leaders forged ahead on spot price optimism. Shell led the way, rising 20 to 520p amid heavy domestic and overseas support ahead of today's third-quarter figures. British Petroleum also performed well and gained 22 to 705p. Other bright features included Barmul, 12 higher at 350p and British 7 to the good at 153p. Lameco put on 9 1/2 to 142 1/2p and Enterprise rose 7 1/2 to 157 1/2p.

Fresh gyrations in the bullion price resulted in another lively and often volatile business among South African Golds. The metal's initial strength—bullion touched 841 1/2 at one stage—stimulated a further recovery in the Cape, and although Continental holders appeared satisfied to merely maintain present positions, dealers reported keen interest from London.

Quotations finished below best levels, however, as the dollar's late improvement against major currencies left the dollar 3 1/2 lower on balance at 940.25 an ounce and the gold's occasional offerings from the US.

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For Settlement
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For rate indications see end of Frank Trust Service

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FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for EQUITY GROUPS & SUB-SECTIONS, Wednesday November 5 1986, and various indices like CAPITAL GOODS, CONSUMER GOODS, etc.

FIXED INTEREST

Table with columns for PRICE INDICES, AVERAGE GROSS REDEMPTION YIELDS, and various interest rates for different terms.

LONDON TRADED OPTIONS

Table with columns for CALLS, PUTS, and various option contracts like Allied Loyce, B.P., etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol., Last, and various European option contracts like GOLD C, etc.

BASE LENDING RATES

Table with columns for Bank Name, Rate, and various base lending rates from different banks.



WORLD STOCK MARKETS

Table of world stock markets including Austria, Germany, Norway, Australia, Japan, Canada, and various indices. Columns include country, date, price, and change.

Table of Canadian stock markets including Toronto and Montreal. Columns include stock name, price, and change.

Table of various stock indices including New York, South Africa, and others. Columns include index name, date, and value.

OVER-THE-COUNTER

Table of over-the-counter market closing prices for various stocks. Columns include stock name, price, and change.

Table of chief price changes in London. Columns include stock name, price, and change.

Table of international companies and finance news, including Canadian group lifts earnings and Brown Boveri plans job cuts.

INTL. COMPANIES AND FINANCE

Articles and news items including 'Canadian group lifts earnings', 'Brown Boveri plans job cuts', and 'Fiat and Ford await decision on Alfa'.



NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized by sector and alphabetically. Includes columns for stock name, price, and change.

Continued on Page 43

Handwritten note: C/D 11/15/86



NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, P, V, H, L, C, D, and various price points. Includes sub-sections like 'Continued from Page 42' and 'WORLD ECONOMIC INDICATORS every Monday-Only in the Financial Times'.

Table of AMEX Composite Closing Prices. Columns include Stock, P, V, H, L, C, D, and various price points. Includes sub-sections like 'OVER-THE-COUNTER' and 'Nasdaq national market, closing prices'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter Nasdaq national market closing prices. Columns include Stock, P, V, H, L, C, D, and various price points. Includes sub-sections like 'WORLD ECONOMIC INDICATORS' and 'Continued on Page 41'.



# FINANCIAL TIMES

## WORLD STOCK MARKETS

### WALL STREET

## Poll results prove small distraction

GIVING scant attention to the mid-term election results, stock prices resumed their upward trend on Wall Street yesterday in heavy trading, writes Roderick Oram in New York.

Bond prices, helped by a stronger dollar, held firm during the second leg of the Treasury's quarterly refunding which resulted in an average yield of 7.25 per cent on 10-year notes, the lowest ever.

The Dow Jones industrial average closed up 6.80 points at 1,899.04. The New York Stock Exchange composite index advanced 0.31 of a point to 141.92 with rising issues outnumbering falling by 874 to 829 on trading volume of 183.17m.

Both bond and stock markets believed that the switch to Democrat control of the Senate would have virtually no impact on the economy or markets, particularly in the short term.

Although there was little general reaction to the election results, defence contractors shares were marked down modestly on concerns that the Democrats will make further cuts in defence spending. General Dynamics slipped 3/4 to \$73 3/4, Boeing, trading ex-dividend, fell

1 1/4 to \$50 and Northrop fell \$2 to \$42 1/2 while Grumman, which announced poor results on Tuesday rose 3/4 to \$28.

The only sign of investor nervousness came from foreign sellers of stocks before the New York markets opened. Picking up from a small loss at the opening, the Dow Jones industrial average rose several times in the session above the 1,900 mark but each time fell back.

Among blue chips, General Motors gained 1/4 to \$74 1/4. Eastman Kodak was unchanged at \$63 1/4 and General Electric rose 3/4 to \$79 while Philip Morris fell 3/4 to \$71 1/4 and IBM lost 1/4 to \$123 1/4 as it went ex-dividend.

Goodyear Tire and Rubber rose 3/4 to \$49 1/4 on 2.7m shares as the possibility of a bid from Sir James Goldsmith's investment group continued to draw other investors to the stock. Reports that Merrill Lynch, the group's financial adviser, will earn substantial fees from a successful bid pushed up Merrill by 3/4 to \$43 1/4.

Union Carbide gained 1 1/4 to \$23. It announced on Tuesday a \$2.5bn recapitalisation which prompted some analysts to recommend purchase of the stock.

Among the most active issues, CPC fell 3/4 to \$78 on trading of more than 8m shares. It plans to buy back more than 20 per cent of its common shares and is studying restructuring proposals. It said the buy-back will include 4m shares held by an investment partnership which reported it was holding a 5 per cent stake in the company. CPC said it believed the group was led by Mr Ronald Perleman, chairman of Revlon.

Revlon, off 3/4 to \$13 1/4, was unavailable for comment on market rumours that it was building a stake in Gillette which rose a further 3/4 yesterday to \$53. Unilever has also been mentioned as a potential bidder.

Interest in CPC spilled over to other food companies. Ralston Purina gained 1/4 to \$15 1/4, Kellogg rose 3/4 to \$31 1/4 and Gerber advanced 1/4 to \$47 1/4.

McCoy, a leading Texas bank holding company, slipped 3/4 to \$13 1/4. It has suspended its quarterly common stock dividend.

United Technologies gained 3/4 to \$45 1/4. The shares have recently received buy recommendations from some stock brokers.

In the credit markets, prices were essentially unchanged as players awaited the outcome of the second leg of the Treasury's quarterly refunding.

The price of the 7.25 per cent Treasury bond due 2018 eased one basis point to 96 1/4 at which it yielded 7.57 per cent. Three-month Treasury bills were unchanged at 5.25 per cent while six-month and one-year bills rose two basis points to 5.35 per cent and 5.43 per cent respectively.

In the auction, a total of \$24.7bn of bids were submitted and \$9.85bn accepted for the Treasury's 7.25 per cent 10-year notes. The average yield of the accepted bids was 7.25 per cent, down from 7.47 per cent at the previous 10-year note auction on August 15, and a record low.

### EUROPE

## Confidence jolted by elections

PROFIT-TAKING combined with concern over the outcome of the US mid-term elections to produce a lacklustre and broadly lower performance on the European bourses yesterday.

Stockholm suffered a swift technical climbdown from its recent peaks although further isolated gains were managed in the pharmaceuticals, base metal and retailing sectors.

Citing the eight gains in the previous 10 sessions, dealers suggested that a pause was now overdue but that the market's fundamentals were still viewed as very positive by domestic and foreign investors. Hopes of a discount rate cut today remain high.

Astra, the pharmaceutical group, ignored the downturn and repeated its SKR 13 gain of the previous session to close at SKR 563, a new high for the year. Fermenta, which has not enjoyed much of the benefits of the recent run to peaks, moved against the tide again with a SKR 1 advance to SKR 122 as Pharmacia jumped SKR 9 to SKR 197.

Blue-chip car group Volvo retreated SKR 3 to SKR 382. Swedish Match gave up SKR 6 to SKR 491 and Atlas Copco at SKR 218 was SKR 2 cheaper.

Amsterdam finished mixed in thin trading dominated by lower third-quarter figures for Philips, which gained 30 cents in early trading but closed the day 10 cents off at Fl 44.60. Market-wide concern was evident at the outcome of the US elections and possible protectionist moves from the Democrats.

KLM, due to announce second-quarter figures today, edged 10 cents ahead to Fl 45.80 as Royal Dutch, also scheduled to announce results today, jumped Fl 4.90 to Fl 209.40.

Among banks, profit-takers maniled ABN with a Fl 4.50 drop to Fl 546.50, while NMB dipped Fl 1.50 to Fl 205.50. Frankfurt turned lower again pending the US election results although a more stable dollar enabled some early losses to be reversed.

The Commerzbank index continued to move within its narrow 20 point range with a fresh fall of 14.4 to 1,999.2. Daimler added DM 6 to DM 1,280

ahead of details of the car maker's one-for-11 share issue at a price of DM 150, raising DM 530m.

Deutsche Bank led the banking sector lower with a DM 7.50 drop to DM 760.50, while retailer Massa gave up DM 3.50 to DM 496 in response to its flotation of 1.2m ordinary shares at DM 515 each.

Bond prices were narrowly mixed with gains and losses of up to 30 basis points among longs, while shorts were largely steady.

The Bundesbank market balancing operation amounted to DM 43.3m worth of paper sold after selling DM 138.3m on Tuesday. The average yield on public au-

FRANKFURT share and bond turnover for October eased to DM 22.4bn (\$11.4bn) from DM 23.8bn in September. Share turnover dipped 9.3 per cent during the period but for the first 10 months of the year surged to DM 124.6bn from the comparable 1985 figure of DM 17.4bn.

Siemens was the most active stock in October followed by Deutsche Bank, Daimler and Volkswagen. Bond turnover last month increased by 3.3 per cent to DM 14.4bn with the 10-month total exceeding DM 152bn compared with DM 100bn. The average yield on domestic bonds rose to 5.75 per cent during the month from 5.54 per cent in late September.

thority paper edged 1 basis point higher to 8.06 per cent.

Paris was lower in moderate trading. Presses de la Cité dropped over 6 per cent to Ffr 2,497.

Milan gained ground on institutional demand and covering by professionals. Brussels closed mixed on the last day of the trading account.

Zurich edged lower in nervous trading dominated by foreign investors. Madrid sustained a further bout of profit-taking.

**HONG KONG**  
THE DEMOCRATS' success in the US Senate elections helped fuel another sharp fall in Hong Kong share prices.

Foreign institutions, concerned that a fresh wave of US protectionism could spell trouble for the colony's exports, sold heavily and sent the Hang Seng index into its biggest one-day plunge in 18 months for the second time this week.

The index dropped 62.11 points to 2,303.71, compared with Monday's 56.85 point fall to 2,258.78. Turnover rose steeply to HK\$1.03bn from HK\$666m on Tuesday.

Banks were easier or unchanged.

### AUSTRALIA

## Gold shine on way to fresh peak

HEAVY DEMAND for gold and industrial shares underpinned an advance to another record high in Sydney. The All Ordinaries index rose to 8.9 points to 1,390.1 in an active session.

Interest in golds was fuelled by a fresh rise in gold prices, while industrials benefited from a climate of lower interest rates, a firm Australian dollar and takeover activity.

Topping the actives, Hanimex saw 3.17m shares change hands as investors took up Chase's offer at a steady A\$1.15 per share.

Advances among mining stocks included Noranda, up 5 cents at its 1986 high of A\$2.05 again, and Poseidon, which rose 14 cents to a fresh year's high of A\$3.24. Burns Philp, the diversified trading and financial group, was also at a high, adding 20 cents to A\$9.80.

### LONDON

STRONG demand for oil shares lifted the London stock market after press reports of a large public spending overshoot had dampened earlier trading.

The market revived further when Wall Street opened steady despite the US mid-term election results. The FT-SE 100 index closed 8.7 higher at 1,644.4 while the FT Ordinary index was 1.8 up at 1,296.1.

Glits made early gains, helped by the firmness of the pound and the satisfactory outcome of the first leg of the US Treasury's funding programme. But the reports about public spending shaved off most of the rise and bonds closed little changed on the day.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38, 39.

### SINGAPORE

A BROAD-BASED decline in Singapore took the Straits Times industrial index down 18.70 to 915.99 as investors continued this week's profit-taking on concern that the market had recently been over-bought. Turnover rose to 30.6m shares from 28.5m on Tuesday.

Banks were easier or unchanged.

### TOKYO

## Late decline erodes optimism

FOR THE fourth consecutive trading day, Tokyo share prices fell in a lacklustre market yesterday, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei average fell 73.19 from the previous day to 16,713.71. Volume totalled 354m shares compared with Tuesday's 245m. Losers led gainers by 428 to 353, with 160 issues unchanged.

Tokyo Electric Power, Ishikawajima-Harima Heavy Industries and Japan Steel Works, which were traded briskly the previous day, drew large buy orders in early trading.

But some of the enthusiasm evaporated toward the close and blue chips declined almost across the board.

The huge losses suffered by institutional investors and some individuals during the market slump in October is the major cause of the dismal trading of the past few days.

The dealer sections of major securities houses placed massive buy orders for Tokyo Electric Power early in the day to inject some life into the market. This pushed the share price up by Y310 to Y7,500 at one stage. When their buying ceased, however, the issue lost some of the gains, ending only Y160 up at Y7,350.

Japan Steel Works remained the most active issue for the second straight trading day, with 68.95m shares changing hands. It jumped Y27 to Y340 in early trading but ended only Y5 higher at Y318.

Ishikawajima-Harima, which may pass dividend payments in the business year ending in March 1987, attracted strong buying interest, bolstered by redevelopment projects in the Tokyo Bay area. The issue added an early Y45 but came under profit-taking pressure later to finish Y9 higher at Y404. It was the second busiest stock with 15.15m shares changing hands.

Blue chips were depressed by small-lot selling, apparently triggered by investor fears that protectionist pressure could gather momentum.

Hitachi shed Y17 to Y963, Toshiba Y25 to Y990, NEC Y40 to Y1,960 and Matsushita Electric Industrial Y40 to Y1,820. But Fuji Electric added Y39 to Y399, with 12.94m shares changing hands.

The bond market firmed, bolstered by light by institutional investors.

The yield on the benchmark 8.2 per cent government bond falling due in July 1995 dropped to 5.070 per cent from Tuesday's 5.085 per cent.

The 1/2 percentage point cut last week in the official discount rate to a post-war low of 3 per cent a year sent short-term interest rates lower, widening the gap with long-term government bond yields.

This prompted trust banks, life insurers and other institutional investors, which had remained on the sidelines, to place buy orders in units of Y5bn to Y10bn.

### SOUTH AFRICA

A FIRMER close in Johannesburg saw gold shares off their highs for the day after the bullion price lost some of its overnight advances.

Buffels went against the trend, losing 50 cents to R85.50, but mining financials and other mining stocks mainly followed golds up.

SA Breweries, which reported higher profits, added 10 cents to R16.80.

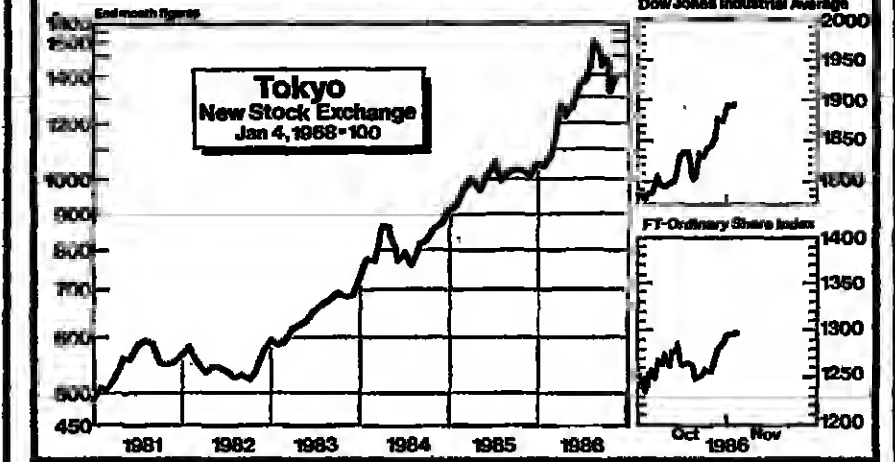
### CANADA

A MODERATELY ACTIVE session in Toronto saw share prices again tending mixed.

Oils recovered partially from early losses, with Shell Canada rising C\$4 to C\$24 1/4 but Texaco Canada down C\$4 to C\$29. Among mines, Echo Bay, which is selling 3.8m new common shares, added C\$4 to C\$29 1/4.

Utilities turned higher in a broadly lower Montreal.

### KEY MARKET MONITORS



STOCK MARKET INDICES			
	Nov 5	Previous	Year ago
<b>NEW YORK</b>			
DJ Industrials	1,899.04	1,892.44	1,366.67
DJ Transport	849.63	843.50	669.59
DJ Utilities	210.44	209.87	161.01
S&P Composite	246.58	246.20	192.37
<b>LONDON</b>			
FT Ord	1,296.1	1,294.3	1,081.3
FT-SE 100	1,644.4	1,637.7	1,383.7
FT-A All-share	813.16	810.98	679.96
FT-A 500	886.32	886.99	741.89
FT Gold mines	300.7	281.2	227.0
FT-A Long gilt	10.30	10.34	10.41
<b>TOKYO</b>			
Nikkei	16,713.71	16,706.90	12,820.7
Tokyo SE	1,391.13	1,388.94	1,019.38
<b>AUSTRALIA</b>			
All Ord.	1,390.2	1,381.1	1,014.6
Metals & Mins.	709.8	700.9	502.2
<b>AUSTRIA</b>			
Credit Aktien	—	227.82	196.55
<b>BRUSSELS</b>			
Belgian SE	3,921.82	3,914.41	2,831.48
<b>CANADA</b>			
Toronto			
Metals & Mins	2,129.50	2,121.80	1,794.00
Composite	3,060.70	3,062.90	2,709.50
Montreal			
Portfolio	550.52	1,557.52	130.72
<b>DENMARK</b>			
SE	192.79	194.25	232.46
<b>FRANCE</b>			
CAC Gen	378.30	382.40	224.2
Ind. Tendance	144.40	146.50	82.3
<b>WEST GERMANY</b>			
FAZ-Aktien	684.93	670.38	584.91
Commerzbank	1,899.20	2,013.30	1,799.7
<b>HONG KONG</b>			
Hang Seng	2,303.71	2,285.82	1,692.71
<b>ITALY</b>			
Banca Comm.	777.14	—	411.46
<b>NETHERLANDS</b>			
ANP-CBS Gen	278.10	279.60	229.0
ANP-CBS Ind	278.20	278.20	207.2
<b>NORWAY</b>			
Oslo SE	372.75	374.14	399.60
<b>SINGAPORE</b>			
Straits Times	915.99	934.78	767.60
<b>SOUTH AFRICA</b>			
JSE Golds	—	1,852.0	1,089.4
JSE Industrials	—	1,406.0	938.0
<b>SPAIN</b>			
Madrid SE	184.22	186.69	91.56
<b>SWEDEN</b>			
J & F	2,646.80	2,651.70	1,499.13
<b>SWITZERLAND</b>			
Swiss Bank Ind	572.70	577.20	515.2
<b>WORLD</b>			
Nov 4	338.3	337.4	234.7
MS Capital Int'l	—	—	—
<b>COMMODITIES</b>			
(London)			
Silver (spot fixing)	405.45p	405.40p	—
Copper (cash)	\$919.00	\$924.50	—
Coffee (Jan)	\$2,247.50	\$2,348.00	—
Oil (Brent blend)	\$14.35	\$14.30	—
<b>GOLD (per ounce)</b>			
Nov 5			
London	\$406.25	\$408.50	—
Zurich	\$406.15	\$408.05	—
Paris (fixing)	\$405.68	\$407.48	—
Luxembourg	\$411.00	\$407.20	—
New York (Dec)	\$408.50	\$411.10	—

CURRENCIES			
	Nov 5	Previous	Nov 5
<b>US DOLLAR</b>			
(London)			
\$	—	—	1.4235
DM	2.0640	2.0575	2.8975
Yen	164.46	168.90	234.00
FFr	6.7325	6.7150	9.5825
Sfr	1.7250	1.7150	2.4550
Guilder	2.3320	2.3250	3.32
Lira	1,426.50	1,422.00	2,090.50
RF	42.85	42.75	51.00
CS	1.3965	1.3905	1.9780
<b>STERLING</b>			
Nov 5	Previous	Nov 5	Previous
DM	2.0640	2.0575	2.8975
Yen	164.46	168.90	234.00
FFr	6.7325	6.7150	9.5825
Sfr	1.7250	1.7150	2.4550
Guilder	2.3320	2.3250	3.32
Lira	1,426.50	1,422.00	2,090.50
RF	42.85	42.75	51.00
CS	1.3965	1.3905	1.9780

INTEREST RATES			
	Nov 5	Prev	
<b>Euro-currencies</b>			
(3-month offered rate)			
\$	11 1/2	6	
Sfr	4 1/2	4	
DM	4 1/4	4	
FFr	7 1/2	7 1/2	
<b>FT London interbank fixing</b>			
(offered rate)			
3-month US\$	8	8	
6-month US\$	8	8	
US Fed Funds	6 1/4	5 1/4	
US 3-month CDs	5.240	5.825	
US 3-month T-bills	5.60	5.38	

US BONDS			
	November 5	Prev	
<b>Treasury</b>			
Price	Yield	Price	Yield
6% 1988	100 1/2	8.221	100 1/2
7% 1989	100 3/4	7.055	100 3/4
7% 1990	100 3/4	7.236	100 3/4
7% 2016	96 3/4	7.572	96 3/4

Treasury Index			
Maturity	Return	Nov 5	Day's change
(year)	index	change	Yield
1-30	158		